

# **BITOU**

## **MUNICIPALITY**



**Unaudited**

**FINANCIAL STATEMENTS**

**30 JUNE 2014**

# BITOU LOCAL MUNICIPALITY

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# BITOU MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Bitou Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)  
This in effect means that the municipality provide services like water, electricity, sewerage and sanitation to the community. Bitou Mun also serves as an agent to Provincial Government in providing Housing to the community

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Bitou Municipality includes the following areas:

*Plettenbergbay*

#### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	<i>Councillor M Booysen</i>
Deputy Executive Mayor	<i>Councillor A. B. van Rhyner</i>
Speaker	<i>Councillor A.R. Olivier</i>
Mayoral Committee Member	<i>Councillor N.M. de Waal</i>
Mayoral Committee Member	<i>Councillor E.E. Paulse</i>

#### ORDINARY COUNCILLORS

Councillor	<i>Councillor W.R.Craig</i>
Councillor	<i>Councillor N.Ndayi</i>
Councillor	<i>Councillor M M Mbali</i>
Councillor	<i>Councillor Hilda Plaatjies</i>
Councillor	<i>Councillor L M Seyisi</i>
Councillor	<i>Councillor JJN Stuurman</i>
Councillor	<i>Councillor SE Gcabayi</i>
Councillor	<i>Councillor S.Besana</i>

#### MUNICIPAL MANAGER

*Mr A.A. Paulse*

#### CHIEF FINANCIAL OFFICER

*Mr Felix Lötter*

#### REGISTERED OFFICE

*Sewell Street, Plettenbergbay, 6600*  
**Private Bag X 1002. Plettenbergbay, 6600**

#### AUDITORS

*Office of the Auditor General*

#### PRINCIPLE BANKERS

*Standard Bank, Plettenbergbay*

2013 / 2014

## MEMBERS OF THE BITOU LOCAL MUNICIPALITY

### WARD

### COUNCILLOR

1 Valley/Keurbooms/Cowie/Uplands	<i>Councillor N M de Waal</i>
2 Plett South & North	<i>Councillor W R Craig</i>
3 Qolweni/Bossiesgiff/Pinetree/Portion of New Horizons	<i>Councillor L M Seyisi</i>
4 Portion of New Horizons/Portion of KwaNokuthula	<i>Councillor H Plaatjies</i>
5 Kwanokuthula	<i>Councillor M M Mbali</i>
6 Kwanokuthula	<i>Councillor S E Gcabayi</i>
7 Kranshoek/Harkerville/portion of KwaNokuthula	<i>Councillor J J N Stuurman</i>

### PROPORTIONAL

*Councillor S Besana*  
*Councillor E Paulse*  
*Councillor A R Olivier*  
*Councillor M Booysen*  
*Councillor A B van Rhyner*  
*Councillor N Ndayi*

### APPROVAL OF FINANCIAL STATEMENTS

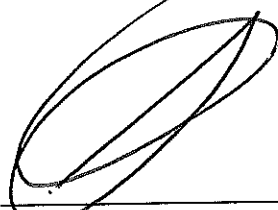
I am responsible for the preparation of these annual financial statements for the year ended 30 June 2014, which are set out on pages 1 to 83 in terms of Section 126 (1) of the Municipal Finance Management Act, (Act 56 of 2003), and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Generally Recognized Accounting Practice (GRAP).

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year ended at 30 June 2014 and is satisfied that the Municipality can continue in operational existence as a going concern for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



*Mr A.A. Paulse*

**Municipal Manager**

*29 August 2014*

**Date**

**BITOU LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

	Notes	2014 R	(Restated) 2013 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>595 387 776</b>	<b>531 491 877</b>
Capital Replacement Reserve	2	7 500 000	5 000 000
Accumulated Surplus		587 887 776	526 491 877
<b>Non-Current Liabilities</b>		<b>193 333 133</b>	<b>177 569 371</b>
Long-term Liabilities	3	120 544 910	116 606 736
Employee benefits	4	72 788 224	60 962 635
<b>Current Liabilities</b>		<b>80 814 512</b>	<b>95 461 351</b>
Consumer Deposits	6	5 534 048	5 225 285
Current Employee benefits	7	15 955 035	14 634 510
Provisions	8	3 109 862	9 318 953
Payables from exchange transactions	9	42 091 053	29 649 051
Unspent Conditional Government Grants and Receipts	10	518 454	21 859 992
Unspent Public Contributions	11	919 058	3 103 793
Operating Lease Liability	22	474 554	500 925
Current Portion of Long-term Liabilities	3	12 212 449	11 168 842
<b>Total Net Assets and Liabilities</b>		<b>869 535 422</b>	<b>804 522 599</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>749 595 350</b>	<b>710 296 551</b>
Property, Plant and Equipment	13	655 591 946	612 703 782
Investment Property	14	88 752 725	88 755 438
Intangible Assets	15	295 818	4 108 085
Heritage Assets	16	16 512	16 512
Non-Current Investments	17	4 879 989	4 577 513
Long-Term Receivables	18	58 360	135 221
<b>Current Assets</b>		<b>119 940 072</b>	<b>94 226 049</b>
Inventory	19	2 790 654	2 877 079
Receivables from exchange transactions	20	31 113 935	31 007 450
Receivables from non-exchange transactions	21	17 673 143	14 646 330
Unpaid Conditional Government Grants and Receipts	10	6 578 526	280 000
Operating Lease Asset	22	18 258	1 095
Taxes	12	12 511 671	3 129 139
Current Portion of Long-term Receivables	18	76 842	76 465
Cash and Cash Equivalents	23	49 177 044	42 208 490
<b>Total Assets</b>		<b>869 535 422</b>	<b>804 522 599</b>

**BITOU LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 (Actual) R	2013 (Restated)	2013 (Previously reported) R
<b>REVENUE</b>				
<b>Revenue from Non-exchange Transactions</b>		<b>261 631 914</b>	<b>199 399 501</b>	<b>199 060 879</b>
<b>Taxation Revenue</b>		<b>95 014 875</b>	<b>84 154 706</b>	<b>83 816 084</b>
Property taxes	24	95 014 875	84 154 706	83 816 084
<b>Transfer Revenue</b>		<b>137 782 760</b>	<b>106 238 095</b>	<b>106 238 095</b>
Government Grants and Subsidies-capital	25	47 882 956	22 857 500	22 857 500
Government Grants and Subsidies	25	86 994 485	82 274 364	82 274 364
Public Contributions and Donations	26	2 905 319	1 106 231	1 106 231
<b>Other Revenue</b>		<b>28 834 280</b>	<b>9 006 700</b>	<b>9 006 700</b>
Actuarial Gain	4	222 436	4 143 135	4 143 135
Fines		28 611 844	4 863 566	4 863 566
<b>Revenue from Exchange Transactions</b>		<b>211 651 790</b>	<b>192 958 434</b>	<b>192 396 186</b>
Service Charges	27	186 701 753	175 546 505	174 984 042
Rental of Facilities and Equipment		1 347 280	1 207 446	1 207 446
Interest Earned - external investments		3 365 138	2 844 200	2 844 200
Interest Earned - outstanding debtors		3 641 102	3 538 382	3 538 597
Agency Services		1 147 129	1 140 346	1 140 346
Other Income	28	15 395 338	8 616 573	8 616 573
Licences and Permits		54 049	64 980	64 980
<b>Total Revenue</b>		<b>473 283 704</b>	<b>392 357 935</b>	<b>391 457 065</b>
<b>EXPENDITURE</b>				
Employee related costs	29	134 355 377	110 967 339	110 967 339
Remuneration of Councillors	30	4 710 310	4 045 976	4 045 976
Debt Impairment	31	28 166 537	11 649 701	11 649 701
Collection Cost		880 066	901 030	901 030
Depreciation and Amortisation	32	17 188 256	19 157 152	19 329 570
Impairments/Write-Offs	33	13 603 155	10 238 614	10 238 614
Repairs and Maintenance		10 540 352	8 360 046	8 360 046
Actuarial losses	4	3 686 360	96 683	96 683
Finance Charges	34	13 683 255	13 864 033	13 864 033
Bulk Purchases	35	76 399 870	70 486 020	70 486 020
Contracted services		14 224 153	12 300 877	12 300 877
Operating Grant Expenditure		49 670 305	45 468 594	45 468 594
General Expenses	36	42 279 807	39 527 140	39 527 140
<b>Total Expenditure</b>		<b>409 387 804</b>	<b>347 063 206</b>	<b>347 235 623</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>63 895 900</b>	<b>45 294 729</b>	<b>44 221 441</b>

**BITOU LOCAL MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
			R	R
<b>2012</b>				
Balance at 1 JULY 2012			494 599 892	494 599 892
Correction of error		-	(8 402 745)	(8 402 745)
<b>2013</b>				
Restated Balance at 1 JULY 2012	37.2	-	486 197 147	486 197 147
Net Surplus for the year		-	45 294 729	45 294 729
Transfer to CRR		5 000 000	(5 000 000)	-
Restated Balance at 30 JUNE 2013	37.2	5 000 000	526 491 876	531 491 876
<b>2014</b>				
Net Surplus for the year		-	63 895 900	63 895 900
Transfer from CRR		(5 000 000)	5 000 000	-
Transfer to CRR		7 500 000	(7 500 000)	-
		-		-
Balance at 30 JUNE 2014		7 500 000	587 887 776	595 387 776

**BITOU LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	30 JUNE 2014 R	30 JUNE 2013 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		278 591 202	259 932 944
Government		122 587 376	100 077 044
Interest		7 006 240	6 382 583
<b>Payments</b>			
Suppliers and employees		(322 732 965)	(301 325 903)
Finance charges	34	(13 683 255)	(13 864 033)
<b>Cash generated by operations</b>	38	<b>71 768 598</b>	<b>51 202 635</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	13	(69 864 595)	(40 758 372)
Purchase of Intangible Assets		-	
Proceeds on Disposal of Fixed Assets			
Decrease in non-current receivables		76 485	77 681
Increase in non-current investments		(302 476)	(302 476)
<b>Net Cash from Investing Activities</b>		<b>(70 090 587)</b>	<b>(40 983 168)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(11 738 487)	(11 174 604)
New loans raised		16 720 266	13 795 354
Increase in Consumer Deposits		308 763	748 340
<b>Net Cash from Financing Activities</b>		<b>5 290 542</b>	<b>3 369 089</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>6 968 554</b>	<b>13 588 556</b>
Cash and Cash Equivalents at the beginning of the year		42 208 490	28 619 934
Cash and Cash Equivalents at the end of the year	39	49 177 044	42 208 490
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>6 968 554</b>	<b>13 588 556</b>



**BITOU MUNICIPALITY**

**BUDGET COMPARISONS FOR THE YEAR ENDED 30 JUNE 2014**

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL	ACTUAL VS BUDGET
	R	R	R	R	R
<b>STATEMENT OF FINANCIAL POSITION</b>					
Total current assets	64 187 935	59 838 087	124 026 022	119 940 072	(4 085 950)
Total non- current assets	721 153 448	47 152 687	768 306 135	749 595 350	(18 710 785)
Total current liabilities	66 078 867	13 444 638	79 523 505	80 814 512	1 291 007
Total non- current liabilities	194 022 769	11 174 465	205 197 234	193 333 133	(11 864 101)
<b>Total Net Assets</b>	<b>525 239 747 #</b>	<b>82 371 671 #</b>	<b>607 612 418 0</b>	<b>595 388 776</b>	<b>(12 223 642)</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

*Grat Reporting Framework*

**Revenue**

Property taxes	90 447 001	9 136 773	99 583 774	95 014 875	(4 568 899)
Government Grants and Subsidies-Capital	36 447 000	-	36 447 000	47 882 956	11 435 956
Government Grants and Subsidies-Operating	102 051 080	10 625 280	112 676 360	86 994 485	(25 681 875)
Public Contributions and Donations	1 004 600	2 562 418	3 567 018	2 905 319	(661 699)
Actuarial Gain	0	-	-	222 436	222 436
Fines	4 107 000	2 884 285	6 991 285	28 611 844	21 620 559
Service Charges	191 910 024	(20 046)	191 889 978	186 701 753	(5 188 225)
Rental of Facilities and Equipment	1 213 040	41 628	1 254 668	1 347 280	92 612
Interest Earned - external investments	1 770 000	570 216	2 340 216	3 365 138	1 024 922
Interest Earned - outstanding debtors	3 300 000	-	3 300 000	3 641 102	341 102
Agency Services	1 207 500	(43 354)	1 164 146	1 147 129	(17 017)
Other Income	5 200 815	426 526	5 627 341	15 395 338	9 767 997
Licences and Permits	73 500	(17 281)	56 219	54 049	(2 170)
Gain on disposal of Property, Plant and Equipment	0	-	-	0	-
<b>Total Revenue</b>	<b>438 731 560</b>	<b>26 166 445</b>	<b>464 898 005</b>	<b>473 283 704</b>	<b>8 385 699</b>

**Expenditure**

Employee related costs	131 913 500	(1 861 649)	130 051 851	134 355 377	4 303 526
Remuneration of Councillors	4 414 555	297 680	4 712 235	4 710 310	(1 925)
Debt Impairment	15 018 714	-	15 018 714	28 166 537	13 147 823
Collection Cost	750 000	99 357	849 357	880 066	30 709
Depreciation and Amortisation	21 095 281	-	21 095 281	17 188 256	(3 907 025)
Impairments/Write-Offs	0	-	-	13 603 155	13 603 155
Repairs and Maintenance	11 648 780	(619 370)	11 027 410	10 540 352	(487 058)
Actuarial losses	0	-	-	3 686 360	3 686 360
Finance Charges	13 844 980	82 245	13 927 225	13 683 255	(243 970)
Bulk Purchases	77 382 000	(3 932 826)	73 449 174	76 399 870	2 950 696
Contracted services	14 108 636	1 860 887	15 969 523	14 224 153	(1 745 370)
Operating Grant Expenditure	67 882 000	4 315 110	72 197 110	49 670 305	(22 526 805)
General Expenses	44 920 791	1 860 186	46 780 977	42 279 807	(4 501 170)
Loss on Disposal of PPE	70 000	(70 000)	-	0	-
<b>Total Expenditure</b>	<b>403 047 237</b>	<b>2 031 620</b>	<b>405 078 857</b>	<b>409 387 804</b>	<b>4 308 947</b>
Transfers recognised-operational					
<b>Net Surplus for the year</b>	<b>35 684 323</b>	<b>24 134 825</b>	<b>59 819 148</b>	<b>63 895 900</b>	<b>4 076 752</b>

*National Treasury Reporting Framework*

**BITOU MUNICIPALITY**

**BUDGET COMPARISONS FOR THE YEAR ENDED 30 JUNE 2014**

**Revenue**

Service charges	192 923 000	-	192 923 000	186 701 753	(6 221 247)
Investment revenue	1 770 000	-	1 770 000	3 365 138	1 595 138
Transfers recognised-operational	102 052 000	445 000	102 497 000	86 994 485	(15 502 515)
Other own revenue	106 803 000	550 000	107 353 000	148 339 372	40 986 372
<b>Total Revenue (excluding capital transfers)</b>	<b>403 548 000</b>	<b>995 000</b>	<b>404 543 000</b>	<b>425 400 748</b>	<b>20 857 748</b>

**Expenditure**

Employee cost	127 524 000	560 000	128 084 000	134 355 377	6 271 377
Remuneration of councillors	4 415 000	-	4 415 000	4 710 310	295 310
Depreciation & asset impairment	21 095 000	-	21 095 000	17 188 256	(3 906 744)
Finance charges	13 845 000	-	13 845 000	13 683 255	(161 745)
Transfers and grants	2 630 000	-	2 630 000		(2 630 000)
Other expenditure	234 551 000	459 000	235 010 000	239 450 606	4 440 606
<b>Total Expenditure</b>	<b>404 060 000</b>	<b>1 019 000</b>	<b>405 079 000</b>	<b>409 387 804</b>	<b>4 308 804</b>
<b>Surplus</b>	<b>(512 000)</b>	<b>(24 000)</b>	<b>(536 000)</b>	<b>16 012 943</b>	<b>16 548 943</b>
Transfers recognised-capital	36 447 000	15 358 000	51 805 000	47 882 956	(3 922 044)
<b>Surplus for the year</b>	<b>35 935 000</b>	<b>15 334 000</b>	<b>51 269 000</b>	<b>63 895 900</b>	<b>12 626 899</b>

**CASH FLOW STATEMENT**

Net Cash from Operating Activities	58 919 495	37 910 740	96 830 235	71 768 598	(25 061 637)
Net Cash from Investing Activities	(50 335 382)	(15 693 027)	(66 028 409)	(70 090 587)	(4 062 178)
Net Cash from Financing Activities	(481 275)	4 395 000	3 913 725	5 290 542	1 376 817
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>8 102 838</b>	<b>26 612 713</b>	<b>34 715 551</b>	<b>6 968 554</b>	<b>(27 746 997)</b>

**OPERATING EXPENDITURE BY VOTE**

Community Services	139 092 432	(720 686)	138 371 746	131 036 468	(7 335 278)
Corporate Services	19 597 221	949 786	20 547 007	19 782 782	(764 225)
Council	15 150 784	9 636 268	24 787 052	32 207 372	7 420 320
Financial Services	35 707 801	2 686 987	38 394 788	37 835 030	(559 758)
Strategic Services	20 975 050	458 909	21 433 959	28 770 335	7 336 376
Office of the Municipal Manager	14 434 152	(7 290 585)	7 143 567	7 101 279	(42 288)
Municipal Services and Infrastructure Developme	161 834 172	(3 357 447)	158 476 725	158 231 903	(244 822)
Internal charges	(1 356 190)	(2 719 797)	(4 075 987)	(5 577 364)	(1 501 377)
	<b>405 435 422</b>	<b>(356 565)</b>	<b>405 078 857</b>	<b>409 387 805</b>	<b>4 308 947</b>

**CAPITAL EXPENDITURE BY VOTE**

Community Services	21 371 995	2 205 726	23 577 721	28 680 632	5 102 911
Corporate Services	802 081	850 610	1 652 691	1 236 845	(415 846)
Council	478 000	-	478 000	364 463	(113 537)
Financial Services	600 000	462 700	1 062 700	597 030	(465 670)
Strategic Services	403 000	-	403 000	213 170	(189 830)
Municipal Services and Infrastructure Developme	27 493 442	14 257 709	41 751 151	38 772 454	(2 978 697)
	<b>51 148 518</b>	<b>17 776 745</b>	<b>68 925 263</b>	<b>69 864 595</b>	<b>939 332</b>

Refer to note 53 for explanations of material variances between the original budget and final budget.

Refer to note 54 for explanations of material variances between actual amounts and the final budget.

Material variances are considered for variances larger than R3.5 million

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

##### 1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet:

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

##### 1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

## **BITOU MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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#### **1.3. GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

#### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### **1.5 AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### **1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

#### 1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
<b>GRAP 6</b> (Revised – Nov 2010)	<p><b>Consolidated and Separate Financial Statements</b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	<b>1 July 2015</b>
<b>GRAP 8</b> (Revised – Nov 2010)	<p><b>Interest in Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<b>Unknown</b>
<b>GRAP 18</b> (Original – Feb 2011)	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a</p>	<b>1 April 2015</b>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.	
<b>GRAP 20</b> <b>(Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32</b> <b>(Original – Aug 2013)</b>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>GRAP 105</b> <b>(Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 106</b> <b>(Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 107</b>	<b>Mergers</b>	<b>1 April 2015</b>

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(Original – Nov 2010)	<p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	
GRAP 108 (Original – Sept 2013)	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p>	Unknown
IGRAP 11	<p><b>Consolidation - Special Purpose Entities (SPE)</b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

#### 1.9. RESERVES

##### 1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

#### 1.10. LEASES

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### **1.10.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.



## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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The same accounting principles will be applied with the recognition of unspent Public Contributions.

#### **1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 1.11 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

#### **1.13. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

#### **1.14. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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Defined benefit plans are post-employment benefit plans other than defined contribution plans.

#### **1.14.1 Post-Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.14.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.14.3 Provision for Staff Leave**

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **1.14.4 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **1.14.5 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **1.15. BORROWING COSTS**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

#### **1.16. PROPERTY, PLANT AND EQUIPMENT**

##### **1.16.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.16.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### **1.16.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Asset Class & Type	Expected Useful Life
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#### **Water Reservoirs & Reticulation**

# BITOU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Boreholes	13-100
Connections	15-65
Dams	95
Reservoirs	8-100
Reticulation	20-101
Pump station	15-50
Water Treatment Works	15

### Community Assets

Civic Buildings	30-60
Libraries	10-100
Parks & Gardens	15-40
Recreation Grounds	5-100

### Land and Buildings

Buildings	8-100
Land	Indefinite

### Other Assets

Office Equipment	3-30
Other Land & Buildings	10
Other Motor Vehicles	4-30
Plant and Equipment	1-30
Security Measures	5-30
Specialised Vehicles	8-30

### Leased Assets

Leased Assets	3-6
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Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

#### **1.16.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.16.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

### **1.17. INTANGIBLE ASSETS**

#### **1.17.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### **1.17.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### 1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

	<u>Years</u>
Computer Software	5-10

#### 1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

### 1.18. INVESTMENT PROPERTY

#### 1.18.1 Initial Recognition

Investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### 1.18.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### 1.18.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30-120

#### 1.18.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009

### 1.19 HERITAGE ASSETS

#### 1.19.1 Initial Recognition



## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### **1.19.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

#### **1.19.3 Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

#### **1.19.4 De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

#### **1.19.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

### **1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS**

#### **1.20.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### 1.20.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

##### (a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

##### (b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## 1.21. INVENTORIES

### 1.21.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### 1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

#### 1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### 1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

#### 1.22.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial liabilities at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

##### 1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

##### 1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.22.2.3 Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### **1.22.2.4 Non-Current Investments**

Investments and fixed deposits invested in registered commercial banks are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### **1.22.3 De-recognition of Financial Instruments**

##### **1.22.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### 1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### 1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### 1.23. REVENUE

#### 1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.



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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### 1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### 1.24. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### 1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.27. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### **1.29.1 Post-retirement medical obligations and, Long service awards**

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

##### **1.29.2 Impairment of Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### 1.29.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### 1.29.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service

## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

#### 1.29.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### 1.29.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### 1.29.7 Revenue Recognition

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.



## BITOU MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.29.8 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### **1.29.9 Provision for Task Implementation**

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salaries compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

#### **1.29.10 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### **1.29.11 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day for the last 5 days during the year under review is used as the estimate for calculating unused units

#### **1.29.12 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

#### **1.29.13 Provision for Clearing of Alien Vegetation**

## **BITOU MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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The Economic entity has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared.

#### **1.30. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

#### **1.31. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### **1.32. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

2 **NET ASSET RESERVES**

Capital Replacement Reserve

2014	2013
R	R
7 500 000	5 000 000
<b>7 500 000</b>	<b>5 000 000</b>

3 **LONG-TERM LIABILITIES**

Annuity Loans - At amortised cost  
Capitalised Lease Liability - At amortised cost

132 227 328	126 701 904
530 030	1 073 675

<b>132 757 358</b>	<b>127 775 579</b>
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Current Portion transferred to Current Liabilities

<b>(12 212 449)</b>	<b>(11 168 842)</b>
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Annuity Loans - At amortised cost  
Capitalised Lease Liability - At amortised cost

(11 891 991)	(10 370 492)
(320 458)	(798 350)

**Total Long-term Liabilities - At amortised cost using the effective interest rate method**

<b>120 544 910</b>	<b>116 606 736</b>
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For detail of the carrying amounts of the loans - see Appendix A

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

Minimum  
annuity payments

Amounts payable under annuity loans:

Payable within one year  
Payable within two to five years  
Payable after five years

26 006 062	24 217 295
95 531 846	87 659 995
93 809 334	104 413 446

<b>215 347 242</b>	<b>216 290 736</b>
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**Less:** Future finance obligations

<b>(83 119 915)</b>	<b>(89 588 832)</b>
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**Present value of annuity obligations**

<b>132 227 327</b>	<b>126 701 904</b>
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**Development Bank Loans**

Various structured loans have been taken up with DBSA, with an original value totalling R79.5m. One of the DBSA loans has a repayment period of 10 years maturing on 30/06/2017 paid with equal instalments. All other loans are paid 6 monthly on a "Fixed capital plus interest" basis over a 20 year period each with a maturity date ranging from 31/12/2019 - 31/12/2029 respectively. Interest rates applicable on all loans vary from 9% to 12%

**First National Bank**

A loan amounting to R3,400,000 has been taken up from First National Bank. This loan will be paid 6 monthly on a "fixed capital plus interest" basis over a five year period with maturity date of 30/06/2015. Interest rate applicable to this loan amounts to 10.56%

**Standard Bank**

Nine loans originally amounting to a total of R76290 million had been taken up from Standard bank. These loans will be paid back 6 monthly on a "fixed capital plus interest" basis over a period which varies between 5 and 10 years, with maturity dates from 30/06/2018 to 30/06/2023 respectively. Interest rates applicable to these loans amounted to 11.26% and 10.71% respectively

A Zero Coupon investment to establish a Sinking Fund, amounted to R 4 879 989 (2013: R4 577 153) has been invested with ABSA to serve as a contractual collateral on a loan (loan WC 13665) from Development Bank of Southern Africa-see also Note 17

The fair value of Long-Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

The obligations under finance leases are scheduled below:

Minimum  
lease payments

Amounts payable under finance leases:

Payable within one year  
Payable within two to five years

352 742	856 785
220 101	291 337

<b>572 843</b>	<b>1 148 122</b>
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**Less:** Future finance obligations

<b>(42 813)</b>	<b>(74 447)</b>
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**Present value of lease obligations**

<b>530 030</b>	<b>1 073 676</b>
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Leases are secured by property, plant and equipment - Note 13

The municipality has entered into lease agreement with Avis for motor vehicle rentals and rental agreements for photocopier machines. The rental periods vary between 3 and 5 years, starting 1 July 2010. Rental instalments are payable monthly. No escalation is applicable.

**EMPLOYEE BENEFITS**

Post Retirement Benefits - Refer to Note 4.1

Long Service Awards - Refer to Note 4.2

**Total Non-current Employee Benefit Liabilities**

2014 R	2013 R
70 143 018	58 221 065
2 645 206	2 741 570
<b>72 788 224</b>	<b>60 962 635</b>

**Post Retirement Benefits**

Balance 1 July

Contribution for the year

Expenditure for the year

Actuarial (Loss)/Gain

**Total post retirement benefits 30 June****Less:** Transfer of Current Portion - Note 7**Balance 30 June**

2014 R	2013 R
59 122 457	55 753 535
9 244 913	8 367 542
(959 772)	(855 486)
3 686 360	(4 143 135)
<b>71 093 958</b>	<b>59 122 457</b>
(950 940)	(901 392)
<b>70 143 018</b>	<b>58 221 065</b>

**Long Service Awards**

Balance 1 July

Contribution for the year

Expenditure for the year

Actuarial Loss/(Gain)

**Total long service 30 June****Less:** Transfer of Current Portion - Note 7**Balance 30 June**

3 250 052	2 986 411
712 649	616 349
(656 559)	(449 391)
(222 436)	96 683
<b>3 083 706</b>	<b>3 250 052</b>
(438 500)	(508 482)
<b>2 645 206</b>	<b>2 741 570</b>

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

Balance 1 July

Contribution for the year

Expenditure for the year

Actuarial Gain/(Loss)

**Total employee benefits 30 June****Less:** Transfer of Current Portion - Note 7**Balance 30 June**

62 372 509	58 739 946
9 957 562	8 983 891
(1 616 331)	(1 304 877)
3 463 924	(4 046 452)
<b>74 177 664</b>	<b>62 372 509</b>
(1 389 440)	(1 409 874)
<b>72 788 224</b>	<b>60 962 635</b>

**EMPLOYEE BENEFITS (CONTINUE)****4.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members

Continuation members (e.g. Retirees, widows, orphans)

**Total Members**

348	361
33	33
<b>381</b>	<b>394</b>

The liability in respect of past service has been estimated to be as follows:

In-service members

Continuation members

**Total Liability-unfunded**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

2014 R	2013 R
55 880 289	46 655 013
15 203 669	12 467 444
<b>71 093 958</b>	<b>59 122 457</b>

In-service members

Continuation members

**Total Liability**

2012	2011 R	2010 R
43 084 238	28 578 326	21 234 895
12 669 297	9 695 176	7 247 119
<b>55 753 535</b>	<b>38 273 502</b>	<b>28 482 014</b>

	2014 (Rm)	2013 (Rm)	2012 (Rm)	2011 (Rm)
Experience adjustments were calculated as follows				
Liabilities (Gain)/loss	-2.76	-2.64	10.020	2.325

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:  
Bonita's;  
LA Health  
Samwu  
Keyhealth.  
Hosmed

Key actuarial assumptions used:

**i) Rate of interest**

Discount rate	9.18	9.22
Health Care Cost Inflation Rate	8.31	7.85
Net Effective Discount Rate	0.81	1.28

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries for post-retirement.  
The SA 85-90 table was used by the actuaries for current employees

**iii) Normal retirement age**

It has been assumed that in-service members will retire at an average age of 57, which then implicitly allows for expected rates of early and ill-health retirement.

	2014 R	2013 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	71 093 958	59 122 457
Net liability-unfunded	<u>71 093 958</u>	<u>59 122 457</u>

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	59 122 457	55 753 535
Total expenses	8 285 141	7 512 057
Current service cost		3 812 408
Interest Cost	9 244 913	4 555 134
Benefits Paid	(959 772)	(855 486)
Actuarial Gain/(Losses)	3 686 360	(4 143 135)
Present value of fund obligation at the end of the year	71 093 958	59 122 457
<u>Less:</u> Transfer of Current Portion - Note 7	(950 940)	(901 392)
Balance 30 June	<u>70 143 018</u>	<u>58 221 065</u>

**Sensitivity Analysis on the Accrued Liability in (R millions)**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	55.890	15.204	71.094	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	67.469	17.187	84.656	19
Health care inflation	-1%	48.754	13.555	60.308	(15)
Post-retirement mortality	-1 year	57.639	15.763	73.402	3
Average retirement age	-1 year	59.762	15.204	74.966	5
Membership after retirement	-10%	50.253	15.204	65.457	(8)

Assumption	Change	Current service Cost (R)	Interest Cost (R)	Total	% change
Central Assumption		3 836 900	5 408 000	9 244 900	
Health care inflation	1%	4 778 500	6 450 900	11 229 400	21
Health care inflation	-1%	3 111 800	4 579 000	7 690 800	(17)
Post-retirement mortality	-1 year	3 948 900	5 580 500	9 529 400	3
Average retirement age	-1 year	4 177 500	5 719 600	9 897 100	7
Withdrawal Rate	50%	4 532 400	5 872 900	10 405 300	13

#### 4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

2014 2013

Key actuarial assumptions used:

##### 1) Rate of Interest

Discount rate  
General Salary Inflation (long-term)  
Net Effective Discount Rate applied to salary-related Long Service Bonuses

	379	381
2014		2013
%		%
7.87		7.24
7.08		6.75
0.74		0.46

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

2014 R 2013 R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

Net liability-unfunded

3 083 706	3 250 052
<b>3 083 706</b>	<b>3 250 052</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 R	2011 R	2010 R
<b>Total Liability-unfunded</b>	<b>2 986 411</b>	<b>3 337 464</b>	<b>2 570 523</b>

Experience adjustments were calculated as follows

	2014	2013	2012	2011
Liabilities (Gain)/Loss	261 278	(12 137)	(975 737)	159 944

##### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

Total expenses

Current service cost

Interest Cost

Benefits Paid

Actuarial Losses/(Gain)

Present value of fund obligation at the end of the year

Less: Transfer of Current Portion - Note 7

Balance 30 June

3 250 052	2 986 411
56 090	166 958
712 649	431 787
(656 559)	184 552
	(449 391)
(222 436)	96 683
3 083 706	3 250 052
(438 500)	(508 482)
<b>2 645 206</b>	<b>2 741 570</b>

##### Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability (R)	% change
Central assumptions		3.084	
General salary inflation	1%	3.270	6
General salary inflation	-1%	2.914	(5)
Average retirement age	-2yrs	2.578	(16)
Average retirement age	2yrs	3.647	18
Withdrawal rates	-50%	3.783	23

#### 4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

##### CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 26.77% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund has a funding level of 99.7% (30 June 2011 - 99.4%).

Contributions paid recognised in the Statement of Financial Performance

209 298 170 009

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1 %.

Contributions paid recognised in the Statement of Financial Performance	9 440 558	8 087 752
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**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Municipal Council Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance	524 512	390 228
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5

**NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites  
 Provision for Cleaning of Alien Vegetation  
**Total Non-current Provisions**

2014  
R2013  
R

-	-
-	-
-	-

2014  
R2013  
R**Landfill Sites**

Balance 1 July..  
 Contribution for the year..  
 Expenditure for the year..

7 650 000	6 743 751
(5 939 536)	1 106 249
-	-

**Total provision 30 June**

<b>1 910 462</b>	<b>7 850 000</b>
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**Less:** Transfer of Current Portion to Current Provisions - Note 8

(1 910 462)	(7 850 000)
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**Balance 30 June**

-	-
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The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset.  
 Total cost and estimated date of decommission of the site is as follows:

Decommission date	2 014
Cost of rehabilitation	1 910 462

**Clearing of Alien Vegetation**

Balance 1 July..  
 Contribution for the year..  
 Expenditure for the year..  
**Total provision 30 June**

1 138 953	1 138 953
60 447	-
-	-
<b>1 199 400</b>	<b>1 138 953</b>

**Less:** Transfer of Current Portion to Current Provisions - Note 8

(1 199 400)	(1 138 953)
-------------	-------------

**Balance 30 June**

-	-
---	---

The current portions of the provisions for the Landfill site and the clearing of Alien Vegetation representing the possible outflow of funds in the next financial year to execute the purpose of the provisions

6

**CONSUMER DEPOSITS**

Electricity and Water

5 534 048 5 225 285

**Total Consumer Deposits**

<b>5 534 048</b>	<b>5 225 285</b>
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**Guarantees held in lieu of Electricity and Water Deposits**

246 125	205 125
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Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

7

**CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits - Note 4  
 Current Portion of Long-Service Provisions - Note 4  
 Staff Leave  
 Bonuses  
 Pension fund shortages  
 TASK Evaluation

950 940 901 392

438 500 508 482

11 177 168 8 729 139

2 606 323 2 158 889

762 105 2 013 430

- 323 177

**Total Current Employee Benefits**

<b>15 955 035</b>	<b>14 634 510</b>
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The movement in current employee benefits are reconciled as follows:

**Staff Leave**

Balance at beginning of year  
 Contribution to current portion  
 Expenditure incurred

8 729 139 6 946 641

3 794 047 3 026 053

(1 346 019) (1 243 555)

**Balance at end of year**

<b>11 177 168</b>	<b>8 729 139</b>
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Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.



**Bonuses**

Balance at beginning of year.	2 158 889	1 975 176
Contribution to current portion.	5 315 130	3 987 049
Expenditure incurred.	(4 887 697)	(3 803 336)
Balance at end of year	<u>2 606 323</u>	<u>2 158 889</u>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

**Pension fund shortages**

Balance at beginning of year..	2 013 430	1 808 485
Contribution to current portion..	(1 231 325)	204 945
Expenditure incurred..	-	-
Balance at end of year	<u>782 105</u>	<u>2 013 430</u>

The municipality received notice from the Cape Joint Pension Fund regarding a shortfall in the annual earnings of the fund. The actual investment return that was reported amounted to -0.94%. The provision amounts to the amount that the Fund requested the municipality to pay. Interest on the outstanding portion was added since February 2010.

**TASK Evaluation**

Balance at beginning of year.,	323 177	938 392
Contribution to current portion.,	(323 177)	-
Expenditure incurred.,	-	(615 214)
Balance at end of year	<u>-</u>	<u>323 177</u>

**Performance Bonuses**

Balance at beginning of year	-	1 887 210
Contribution to current portion	-	-
Expenditure incurred	-	(1 887 210)
Balance at end of year	<u>-</u>	<u>-</u>

Performance bonuses were previously payable to Municipal Manager, Directors and Employees on Fixed Term Contracts after an evaluation of performance by the council. However this was terminated on 1 July 2012 and no claims for bonuses are applicable any more.

8

**PROVISIONS**

Current Portion of Clearing Alien Vegetation -Note 4	1 199 400	1 138 953
Current Portion of Rehabilitation of Landfill-site -Note 4	1 910 462	7 850 000
Settlement agreement with SARS	-	330 000
Total Provisions	<u>3 109 862</u>	<u>9 318 953</u>

The provision for SARS is an amount payable for understatement penalties which was agreed upon but not yet approved by the commissioner. Settled through an alternative dispute resolution mechanism

9 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables
Pre-paid electricity
Other Creditors
Payments received in advance
Retentions
<b>Total Trade Payables</b>

2014 R	2013 R
29 363 496	21 201 290
148 105	160 070
2 658 719	1 554 652
7 002 453	5 498 103
2 918 280	1 234 937
<b>42 091 053</b>	<b>29 649 051</b>

Payables are being recognised net of any discounts.

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Other creditors mainly comprise deposits received towards services to be rendered to the municipality and unallocated banking deposits made on the municipality's banking accounts. No interest is raised and the credits held by the municipality are refunded once the services have been rendered or applied to the service account once the origin of the credit has been established.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

All payables are unsecured.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

<b>Unspent Grants</b>
Provincial Government Grants
<b>Less:</b> Unpaid Grants
National Government Grants
<b>Total Conditional Grants and Receipts</b>

518 453	21 859 992
<b>518 453</b>	<b>21 859 992</b>
6 578 525	280 000
<b>6 578 525</b>	<b>280 000</b>
<b>(6 060 072)</b>	<b>21 579 992</b>

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

11 UNSPENT PUBLIC CONTRIBUTIONS

Social responsibility
Upgrade Kwano Sports field
<b>Total Unspent Public Contributions</b>

245 673	245 673
673 385	2 858 120
<b>919 058</b>	<b>3 103 793</b>

Reconciliation of public contributions

Social Responsibility

Opening balance
Contributions received
Conditions met - Transferred to revenue
Closing balance

245 673	245 673
-	-
-	-
<b>245 673</b>	<b>245 673</b>

LED Strategy (IDC)

Opening balance
Contributions received
Conditions met - Transferred to revenue
Closing balance

-	205 996
-	-
-	(205 996)
<b>-</b>	<b>-</b>

Upgrade Kwano Sport field

Opening balance
Contributions received
Conditions met - Transferred to revenue
Closing balance

2 858 120	3 000 000
-	-
(2 184 735)	(141 880)
<b>673 385</b>	<b>2 858 120</b>

Allen Vegetation (Std Bank)

Opening balance
Contributions received
Conditions met - Transferred to revenue
Closing balance

-	194 881
-	-
-	(194 881)
<b>-</b>	<b>-</b>

Donation towards the erection of a gravestone at the Suikerbult graveyard

**Lipton**

Opening balance  
Contributions received  
Conditions met - Transferred to revenue  
Closing balance

-	-
-	20 000
-	(20 000)
-	-

Donation towards buying sea rescue equipment

**12****TAXES****VAT RECEIVABLE**

VAT Receivable  
Total VAT receivable

12 511 671	3 129 139
12 511 671	3 129 139
12 511 671	3 129 139

**NET VAT RECEIVABLE/(PAYABLE)**

VAT is receivable/payable on the cash basis.

**13****PROPERTY, PLANT AND EQUIPMENT**

See attached sheet

BITOU MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value

	Operating Balance R	Corrections	Residual Opening Balances	Cost	Under Construction	Write off-De- recognition R	Depreciation	Opening Balance R	Corrections	Residual Opening Balances	Accumulated Depreciation and Impairment Losses	Impairment Additions	Impairment Balance	Closing Balance R	Carrying Value R
Land and Buildings	246 115 540	-33 000	246 082 540	1 355 001	892 244	9 358 354	-	228 081 409	26 035 387	228 081 409	21 260	-	4 869 770	31 093 850	297 087 534
Land	200 987 420	-33 000	200 954 420	1 159 254	892 244	9 001 745	-	195 054 173	25 626 397	195 054 173	21 260	-	4 869 770	4 957 561	190 096 612
Buildings	43 128 120	-	43 128 120	185 900	-	194 609	-	43 127 317	-	43 127 317	-	-	-	20 136 395	16 256 922
Infrastructure	407 889 498	-8 824 846	496 714 344	8 794 235	40 768 854	-	-	543 031 339	132 830 319	410 201 020	-	-	-	144 295 035	306 026 044
Electricity Refractor	79 595 167	-3 338 610	76 256 557	2 307 441	1 935 293	-	-	75 321 316	14 015 397	61 305 919	-	-	-	15 272 463	59 029 456
Roads, Pavements, Bridges & Storm water	140 501 964	-	140 501 964	1 360 144	877 607	-	-	142 046 859	39 224 715	102 822 144	-	-	-	43 295 657	96 501 161
Sewerage Systems	89 881 135	-	89 881 135	92 905	17 792 167	-	-	109 595 595	29 636 344	79 959 251	-	-	-	9 570	7 297 417
Solid Waste Management	197 004 907	-2 244 813	194 760 094	4 707 745	3 147 261	-	-	192 612 833	46 570 239	146 042 594	-	-	-	54 395 036	139 295 464
Water Reservoirs & Refractor	137 915	-	137 915	22 953 255	-	-	-	23 091 170	78 141	22 913 029	-	-	-	81 491	23 000 787
Other	43 075 240	-16 642	43 058 598	403 277	2 369 174	-	-	46 027 649	12 365 043	33 662 606	-	-	-	13 660 612	32 161 157
Community Assets	2 517 652	-3 016	2 514 636	-	-	-	-	2 514 225	2 152 708	461 517	-	-	-	2 210 364	300 852
Community Halls	17 531 750	-4 859	17 526 891	64 775	-	-	-	17 531 750	752 892	16 778 858	-	-	-	1 210 891	16 371 170
Libraries	23 016 795	-4 867	23 011 928	336 502	2 369 174	-	-	25 717 442	9 489 135	16 228 307	-	-	-	10 231 327	15 465 110
Parks	2 792 824	-	2 792 824	320 266	-	-	-	3 113 189	1 756 835	1 356 354	-	-	-	2 915 539	487 250
Lease Assets	1 517 445	-	1 517 445	-	-	-	-	1 517 445	301 754	1 215 691	-	-	-	1 517 445	-
Light Delivery Vehicles	691 900	-	691 900	295 237	-	-	-	691 900	321 065	370 835	-	-	-	551 030	412 487
Motor Vehicles	585 258	-	585 258	33 029	-	-	-	585 258	278 688	306 570	-	-	-	548 454	84 753
Office Machines	282 372	-	282 372	9 008 884	-	-	-	31 789 485	16 613 308	15 176 177	-	-	-	16 371 966	16 477 922
Other Assets	9 911 545	261 529	10 173 074	2 374 004	-	-	-	11 351 065	9 077 793	2 273 272	-	-	-	6 240 992	5 120 073
Office Equipment	4 215 595	106 975	4 322 570	427 201	-	-	-	4 322 570	325 703	3 996 867	-	-	-	2 655 068	1 426 802
Plant and Equipment	6 492 430	-	6 492 430	3 960 839	-	-	-	6 492 430	49 504	6 442 926	-	-	-	319 461	172 752
Security Measures	10 389	-	10 389	-	-	-	-	10 389	6 270 769	1 506 649	-	-	-	43 533	1 546 534
Other Motor Vehicles	10 389	-	10 389	-	-	-	-	10 389	5 200 400	5 210 789	-	-	-	615 325	4 965 464
Other Land and Buildings	814 272 512	-8 603 684	805 668 827	19 941 523	40 923 872	10 854 707	-	805 637 153	109 482 602	696 154 551	-	-	-	207 945 209	605 691 346

BTGU MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

28 JUNE 2013  
Reconciliation of Carrying Value

	Opening Balance R	Corrections - see note 27	Restated Opening Balances	Cont	Under Construction	Write-offs R	Impairments	Closing Balance R	Opening Balance R	Corrections - see note 27	Restated Opening Balances	Accumulated Depreciation and Impairment Losses	Impairment Balance	Impairment Additions	Impairment Disposals	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>																	
Land	235 897 663	-33 000	245 684 663	-	306 877	-	-	245 991 540	24 893 489	-	24 893 489	907 575	-	-	-	30 820 834	215 139 705
Buildings	532 000 543	-33 000	522 000 543	-	309 877	-	-	532 064 400	24 893 489	-	24 893 489	907 575	-	-	-	4 957 561	197 996 859
	42 991 120	-	42 991 120	-	45 000	-	-	43 036 120	24 893 489	-	24 893 489	907 575	-	-	-	25 003 273	17 142 847
<b>Infrastructure</b>																	
Roads	466 790 077	-8 824 045	458 966 032	26 406 946	12 790 664	7 913 736	-	488 259 483	127 816 066	-488 018	127 816 066	11 538 022	-	7 033 988	-	133 897 610	356 242 892
Sewerage Main and Purification	128 811 700	1 759 378	130 571 078	13 060 500	6 138 676	4 522 276	-	138 168 027	39 877 878	-	39 877 878	3 062 346	-	3 674 894	-	39 865 540	98 804 387
Electricity Main	76 580 741	80 348 119	156 928 860	3 522 559	-	-	-	90 009 064	27 482 071	-	27 482 071	2 943 313	-	2 943 313	-	27 482 071	129 446 797
Electricity Main	50 131 882	-4 338 610	45 793 272	7 965 422	-	-	-	27 833 778	5 773 784	-450 018	5 773 784	1 893 335	-	-	-	9 111 828	46 646 073
Electricity Peak Load Equipment	21 759 865	-	21 759 865	219 258	-	20 489	-	21 979 123	9 332 068	-	9 332 068	1 054 150	-	18 105	-	4 460 467	23 473 303
Water Main	25 650 724	-2 244 813	23 405 911	877 791	5 074 460	142 671	-	29 437 792	7 680 259	-	7 680 259	884 248	-	112 089	-	10 968 158	33 948 478
Recreation - Water	107 020 752	-	107 020 752	160 645	558 000	3 228 320	-	107 578 752	25 048 833	-	25 048 833	2 233 187	-	-	-	30 286 500	21 338 100
Landfill Sites	3 487 961	-	3 487 961	-	-	-	-	426 387	3 232 321	-	3 232 321	27 518	-	3 228 320	-	30 286 500	77 429 693
<b>Community Assets</b>																	
Parks and Gardens	6 242 082	-18 842	6 223 240	173 384	141 390	-	-	6 364 622	10 088 489	-3 484	10 088 489	1 410 882	-	-	-	12 346 087	36 152 691
Libraries	17 346 673	-6 558	17 339 114	173 304	-	-	-	17 509 418	2 795 970	-4 078	2 795 970	310 774	-	-	-	3 112 743	3 128 919
Recreation Grounds	16 531 480	-4 887	16 526 593	-	141 880	-	-	16 668 473	173 983	-2 918	173 983	519 657	-	-	-	16 817 450	16 817 450
Other Buildings	2 634 285	-3 616	2 630 669	-	-	-	-	2 634 285	5 870 912	-2 918	5 870 912	5 870 912	-	-	-	6 341 824	16 817 450
<b>Lesser Assets</b>																	
Office Equipment and Vehicles	8 094 681	-	8 094 681	485 354	-	5 787 110	-	2 792 924	5 480 352	-	5 480 352	1 910 571	-	5 841 887	-	1 768 826	1 037 988
	5 094 891	-	5 094 891	-485 354	-	5 787 110	-	2 792 924	5 480 352	-	5 480 352	1 910 571	-	5 841 887	-	1 768 826	1 037 988
<b>Other Assets</b>																	
Office Equipment	31 022 288	368 464	31 390 752	304 303	-	6 641 909	-	26 813 076	10 618 382	183 107	10 798 683	2 082 432	-	8 208 902	-	16 194 680	9 626 622
Furniture & Fittings	4 981 099	261 520	5 242 619	64 303	-	517 728	-	4 783 765	2 776 310	131 922	2 915 282	741 120	-	324 891	-	3 214 481	1 475 313
Signs and Communications	5 600 001	106 875	5 706 876	186 054	-	277 467	-	5 984 343	2 381 722	68 068	2 452 810	644 404	-	182 894	-	3 765 323	1 661 141
Motor vehicles	341 231	-	341 231	-	-	9 374	-	331 857	210 044	-10 273	210 044	53 782	-	8 188	-	255 618	70 229
Motor vehicles	10 424 605	-	10 424 605	-	-	3 543 193	-	6 881 412	7 949 813	-	7 949 813	404 022	-	2 811 410	-	5 445 425	1 427 986
Fire Engines	4 032 087	-	4 032 087	-	-	665 605	-	3 366 482	1 287 823	-	1 287 823	179 094	-	334 023	-	2 466 355	2 466 355
Refuse Trucks	1 240 468	-	1 240 468	-	-	831 408	-	409 060	2 012 307	-	2 012 307	680 000	-	555 835	-	2 118 572	2 294 433
Computer Equipment	4 984 115	-	4 984 115	113 095	-	891 700	-	4 401 505	107 888 838	-277 226	107 888 838	18 803 892	-	4 980 770	-	103 168 036	912 703 782
	710 866 897	-8 603 882	702 263 015	27 429 869	13 328 411	20 242 708	-	702 263 015	107 888 838	-277 226	107 888 838	18 803 892	-	4 980 770	-	103 168 036	912 703 782

**Assets pledged as security:**

All the assets (Vehicles and Photostat Machines) which are obtained by financial leases are pledged as security.  
The total carrying amount of these assets is R967 148 (2013: R1 037 088)

**Impairment of property, plant and equipment for the year**

Impairment charges on Property, Plant and Equipment recognised in statement of performance - 7 320 479

**Capital commitments**

Capital commitments amounted to R1173411 are applicable- see note 45

**Effect of change in accounting estimates****Change in estimates in terms of GRAP 3**

The useful life's of the following assets were adjusted for further periods

**Depreciation after adjustments**

Buildings	225 055	74 502
Electricity Reticulation	582	835
Intangibles	6 978	
Light Delivery Vehicles	85 953	
Motor Vehicles	12 266	62 439
Office equipment	238 954	211 674
Office Machines	3 674	
Other	2 261	612
Other Land and Buildings	1 025	15 953
Other Motor Vehicles	11 254	
Plant & equipment	73 366	
Roads Pavements Bridges & Storm water	33 392	45 216
Security Measures	11 413	2 438
Sewerage Purification & Reticulation	6 718	10 300
Specialised Vehicles	1 513	10
Water Reservoirs & Reticulation	32 390	50 374
	<b>746 793</b>	<b>474 353</b>

**Depreciation before adjustments**

Buildings	987 575	647 736
Electricity Reticulation	860	2 394
Light Delivery Vehicles	505 815	
Motor Vehicles	87 788	406 784
Office equipment	877 083	406 405
Office Machines	39 314	129 649
Other	29 368	19 730
Other Land and Buildings	2 078	47 973
Other Motor Vehicles	279 525	
Plant & equipment	303 812	
Roads Pavements Bridges & Storm water	45 034	168 673
Security Measures	50 322	6 889
Sewerage Purification & Reticulation	9 930	20 806
Specialised Vehicles	14 416	30
Water Reservoirs & Reticulation	47 661	142 657
	<b>3 260 600</b>	<b>1 999 726</b>

**INVESTMENT PROPERTY****Net Carrying amount at 1 July**

Cost	88 765 438	91 841 680
Accumulated Depreciation	93 375 369	93 375 369
Accumulated Impairments	(1 701 796)	(1 533 689)
	(2 918 135)	
Depreciation for the year	(2 713)	(168 107)
Impairments for the year	-	(2 918 135)
<b>Net Carrying amount at 30 June</b>	<b>88 762 725</b>	<b>88 765 438</b>

Cost	93 375 369	93 375 369
Accumulated Depreciation	(1 704 509)	(1 701 796)
Accumulated Impairments	(2 918 135)	(2 918 135)

**Change in estimates in terms of GRAP 3**

The useful life's of properties were adjusted for further periods

Depreciation after adjustments	2 713	-
Depreciation before adjustments	168 107	-

There are no restrictions on the realisation of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property	<b>1 222 523</b>	<b>353 778</b>
--	------------------	----------------

15

**INTANGIBLE ASSETS****Computer Software****Net Carrying amount at 1 July**

Cost

Accumulated Amortisation

Written-off

Additions

Amortisation

**Net Carrying amount at 30 June**

Cost

Accumulated Amortisation

**2014  
R****2013  
R****4 108 085****4 765 647**

5 981 468

5 981 468

(1 873 383)

(1 215 821)

(3 708 136)

(106 131)

(657 562)

**295 818****4 108 085**

591 271

5 981 468

(295 445)

(1 873 383)

No intangible asset has an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

**Change in estimates in terms of GRAP 3**

The useful life's of assets were adjusted for further periods

Amortisation after adjustments

6 978

Amortisation before adjustments

22 658



	2014	2013
<b>16 HERITAGE ASSETS</b>		
Net Carrying amount at 1 July	16 512	16 512
Acquisitions	-	-
Disposals	-	-
Impairments	-	-
Reversal of Impairment losses	-	-
Transfers from Property, Plant and equipment	-	-
	<u>16 512</u>	<u>16 512</u>
Net Carrying amount at 30 June	16 512	16 512
Cost	16 512	16 512
Accumulated Impairment	-	-

Exemption was taken in terms of Directives , where assets were recognised but not measured yet.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

<b>17 NON - CURRENT INVESTMENTS</b>		
Fixed Deposits	4 879 989	4 577 513
Total Non- Current Investments	<u>4 879 989</u>	<u>4 577 513</u>

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest at a fixed rate of 23.27 % per annum.

A Zero Coupon investment to establish a Sinking Fund, amounted to R 4 879 989 (2013: R4 577 513) has been invested with ABSA to serve as a contractual collateral on a loan (loan WC 13665) from Development Bank of Southern Africa-see also Note 3

<b>18 LONG-TERM RECEIVABLES</b>		
Housing selling scheme loans	135 201	211 686
Less : Current portion transferred to current receivables	(76 842)	(78 465)
Total Long- Term Receivables	<u>58 360</u>	<u>133 221</u>

Prior to the coming into effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a house. The house should be occupied by the staff member and should be the primary home of the staff member. The repayment period of these loans and the applicable interest rate is a maximum of 20 years and eight percent per annum, respectively.

The repayments applicable, are levied with the monthly consumer accounts, and outstanding amounts of these accounts are reflected as part of the outstanding receivables from exchange transactions.

The terms granted to these loans have not been more favourable that would be expected in market terms

<b>19 INVENTORY</b>		
Consumables at store - At cost	2 661 161	2 676 127
Water – at cost	129 494	200 952
Total Inventory	<u>2 790 654</u>	<u>2 877 079</u>
Consumable stores materials written down due to losses as identified during the annual stores counts.	-	2 114
Consumable stores materials surpluses identified during the annual stores counts.	-	-
Inventory recognised as an expense during the year	<u>2 168 924</u>	<u>1 701 915</u>

No inventory assets were pledged as security for liabilities.

	Gross Balances	Provision for Impairment	Nett Balances
<b>20 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
As at 30 June 2014			
Service Receivables	67 128 251	36 240 534	30 887 717
Electricity	13 658 794	3 716 959	9 941 835
Water	19 227 156	10 701 591	8 525 565
Sewerage	17 997 776	11 064 801	6 932 975
Sundries	4 547 529	2 347 889	2 199 640
Refuse Removal	11 696 996	8 409 294	3 287 702
Housing Rentals	578 862	352 644	226 218
Total	<u>67 707 113</u>	<u>36 593 178</u>	<u>31 113 935</u>

As at 30 June 2013

Service Receivables

Electricity  
Water  
Sewerage  
Sundries  
Refuse Removal  
Housing Rentals  
Total

64 717 855	33 881 069	30 836 586
14 780 976	3 177 784	11 603 192
15 579 097	8 498 437	7 080 660
17 603 272	10 433 588	7 169 686
5 822 573	3 902 446	1 920 127
10 931 737	7 888 816	3 062 921
440 671	269 806	170 885
<b>65 158 326</b>	<b>34 150 875</b>	<b>31 007 450</b>

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	9 237 036	11 552 346
31 - 60 Days	1 025 464	393 306
61 - 90 Days	492 664	258 438
+ 90 Days	2 903 630	2 576 886
<b>Total</b>	<b>13 658 794</b>	<b>14 780 976</b>

(Water): Ageing

Current (0 - 30 days)	4 203 019	4 547 410
31 - 60 Days	1 137 201	1 375 288
61 - 90 Days	656 580	518 937
+ 90 Days	13 230 356	9 137 461
<b>Total</b>	<b>19 227 156</b>	<b>15 579 097</b>

(Sewerage): Ageing

Current (0 - 30 days)	2 256 805	3 020 580
31 - 60 Days	451 301	429 223
61 - 90 Days	381 849	392 417
+ 90 Days	14 907 822	13 761 051
<b>Total</b>	<b>17 997 776</b>	<b>17 603 272</b>

(Sundries): Ageing

Current (0 - 30 days)	516 220	931 881
31 - 60 Days	208 434	69 827
61 - 90 Days	148 359	49 292
+ 90 Days	3 674 516	4 771 573
<b>Total</b>	<b>4 547 529</b>	<b>5 822 573</b>

(Refuse): Ageing

Current (0 - 30 days)	1 439 311	1 965 367
31 - 60 Days	322 545	320 660
61 - 90 Days	303 201	313 750
+ 90 Days	9 631 939	8 331 960
<b>Total</b>	<b>11 696 996</b>	<b>10 931 737</b>

(Housing): Ageing

Current (0 - 30 days)	52 912	59 059
31 - 60 Days	13 774	10 787
61 - 90 Days	13 456	12 496
+ 90 Days	498 720	358 329
<b>Total</b>	<b>678 862</b>	<b>440 671</b>

(Total): Ageing

Current (0 - 30 days)	17 705 302	22 076 645
31 - 60 Days	3 158 719	2 599 090
61 - 90 Days	1 996 110	1 545 330
+ 90 Days	44 846 982	38 837 260
<b>Total</b>	<b>67 707 113</b>	<b>65 158 326</b>

21 **RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	2014 R	2013 R
Rates	20 685 650	17 898 777
Other Receivables	22 643 163	2 113 636
Sundry Debtors	22 643 163	2 113 636
<b>Total Receivables from Non-Exchange Transactions</b>	<b>43 328 813</b>	<b>20 012 413</b>
Less: Allowance for Doubtful Debts	(25 655 670)	(5 366 084)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>17 673 143</b>	<b>14 646 330</b>

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	4 727 661	4 714 635
31 - 60 Days	740 956	408 287
61 - 90 Days	308 831	251 278
+ 90 Days	14 908 203	12 524 578
<b>Total</b>	<b>20 685 650</b>	<b>17 898 777</b>

Receivables Impaired

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
2014			
<b>Total</b>	<b>36 593 178</b>	<b>25 655 670</b>	<b>62 248 847</b>
2013			
<b>Total</b>	<b>34 150 875</b>	<b>5 366 084</b>	<b>39 516 959</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year	39 516 958	41 514 413
Contribution to provision	29 664 315	13 108 784
Bad Debts Written Off	(6 932 427)	(15 108 239)
<b>Balance at end of year</b>	<b>62 248 847</b>	<b>39 516 958</b>

In determining the recoverability of a trade receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful

22 **OPERATING LEASE ARRANGEMENTS**

22.1 **The Municipality as Lessee (Liability)**

Balance on 1 July	500 925	521 923
Movement during the year	(26 371)	(20 998)
<b>Balance on 30 June</b>	<b>474 554</b>	<b>600 925</b>

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

	R	R
Up to 1 Year	450 785	144 584
1 to 5 Years	998 818	738 013
More than 5 Years	143 418	376 240
<b>Total Operating Lease Arrangements</b>	<b>1 593 021</b>	<b>1 258 816</b>

Operating leases consist out of agreements for building rentals

The municipality does not engage in any sub-lease arrangements.

The municipality did not pay any contingent rent during the year

## 22.2 The Municipality as Lessor (Asset)

Balance on 1 July	1 094	2 887
Movement during the year.	17 165	(1 792)
<b>Balance on 30 June</b>	<b>18 259</b>	<b>1 095</b>

At the Statement of Financial Position date, the municipality will receive operating lease income as follows:

Up to 1 Year	402 370	3 925
1 to 5 Years	1 538 685	7 468
More than 5 Years	1 555 524	-
<b>Total Operating Lease Arrangements</b>	<b>3 496 579</b>	<b>11 393</b>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

The leases are in respect of land and buildings being leased out for several purposes.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

## 23 CASH AND CASH EQUIVALENTS

### Assets

Call Investments Deposits	25 764 902	10 521 854
Bank Accounts	23 400 922	31 675 416
Cash Floals	11 220	11 220
<b>Total Cash and Cash Equivalents - Assets</b>	<b>49 177 044</b>	<b>42 208 490</b>

Cash and cash equivalents comprises of cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Bank overdraft facility of R0 , (2011) R 5,000,000 exists at Standard Bank.

Security amounting to R 200,000 are held at Absa Bank for E- Fuel.

The municipality has the following bank accounts:

### Current Accounts-Cash book balances

Standard Bank George-Account Number 082599343 (Primary Bank Account)	24 281 082	30 428 371
Standard Bank George-Account Number 282032371 (Direct Deposits)	3 625 573	653 611
Standard Bank George-Account Number 082608288 (ACB)	5 987	73 316
Standard Bank George-Account Number 082592535 (Traffic Account)	596 559	627 160
FNB - Account Number 62060979964	-	3 194
	<b>28 509 181</b>	<b>31 785 672</b>
Cash book balance at beginning of year	31 675 416	1 564 610
Cash book balance at end of year	23 400 922	31 675 416
<b>Standard Bank George-Account Number 082599343 (Primary Bank Account)</b>		
Bank statement balance at beginning of year	30 428 371	7 150 361
Bank statement balance at end of year	24 281 082	30 428 371
<b>Standard Bank George-Account Number 282032371 (Direct Deposits)</b>		
Bank statement balance at beginning of year	653 611	1 326 668
Bank statement balance at end of year	3 625 573	653 611
<b>Standard Bank George-Account Number 082592535 (Traffic Account)</b>		
Bank statement balance at beginning of year	627 160	410 604
Bank statement balance at end of year	596 559	627 160
<b>Standard Bank George-Account Number 082608288 (ACB)</b>		
Bank statement balance at beginning of year	73 316	113 605
Bank statement balance at end of year	5 987	73 316
<b>FNB- Account Number 62060979964</b>		
Bank statement balance at beginning of year	3 194	6 735
Bank statement balance at end of year	-	3 194

#### Call Investment Deposits

Call investment deposits consist out of the following accounts:

Absa Account nr 20-4897-5233	42 454	38 303
Absa Account nr 20-5009-0176	24 231	21 865
Absa Account nr 9284822970	10 075 437	-
Standard Account nr 488-660-7000-012	-	6 285
Standard Account nr 488-607-7000-015	405 795	389 931
Standard Account nr 488-607-7000-019	-	10 065 470
Standard Account nr 488-607-7000-025	15 216 986	-
	<b>25 764 902</b>	<b>10 521 864</b>

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5 % to 6 % per annum.

ABSA investment account number 2048975233 has been ceded as collateral for bond number 6043787245 to the amount of R 24 000.

ABSA investment account number 2050090176 has been ceded as collateral for bond number 6044250229 to the amount of R13 700.

24

#### **PROPERTY RATES**

##### Actual

##### **Rateable Land and Buildings**

Residential, Industrial, Rural and Other  
Commercial  
State

Less: Rebates

##### **Total Assessment Rates**

2014 R	2013 R
97 213 834	85 818 392
87 069 388	77 402 406
7 928 878	7 539 348
2 215 568	876 638
(2 198 959)	(1 663 686)
<b>95 014 875</b>	<b>84 154 706</b>

# **Valuations - 1 JULY 2011**

## **Rateable Land and Buildings**

Residential, Industrial, Rural and Other  
Commercial  
State

## **Total Assessment Rates**

2014 R	2013 R
17 832 460 523	16 968 522 917
1 019 136 000	1 022 978 050
2 847 774 000	2 476 936 177
<b>21 699 370 523</b>	<b>20 468 437 144</b>

Assessment Rates are levied on the value of land and improvements, which valuation must be performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions. A new roll was implemented from 1 July 2012

The tariff for residential properties are used as the basis for the calculation of property rates for all other categories. A Business will pay 67% more than a household and farms or rural properties will pay 75% less than residential households.

Rates are levied annually on property and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments. Monthly rates are payable by the 15th of the following month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

## **25 GOVERNMENT GRANTS AND SUBSIDIES**

### **Unconditional Grants**

Equitable Share

### **Conditional Grants**

Grants and donations

### **Total Government Grants and Subsidies**

Government Grants and Subsidies - Capital  
Government Grants and Subsidies - Operating

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Community & Social Services

Electricity

Executive & Council

Budget & Treasury

Housing

Planning & Development

Road Transport

Water

Sport & Recreation

Public Safety

Waste Water Management

Waste Management

Corporate Services

29 614 000	23 375 000
29 614 000	23 375 000
105 263 441	81 756 884
105 263 441	81 756 884
<b>134 877 441</b>	<b>105 131 884</b>
47 882 956	22 857 500
86 994 485	82 274 364
<b>134 877 441</b>	<b>105 131 884</b>
5 947 000	4 164 451
-	2 460 752
31 521 357	25 743 894
1 900 000	1 250 000
65 127 355	50 550 015
-	4 240 031
1 140 000	531 692
14 845 000	14 655 000
200 000	-
-	782
13 403 355	1 535 248
-	-
793 374	-
<b>134 877 441</b>	<b>105 131 884</b>

The municipality does not expect any significant changes to the level of grants.

### **25.01 Equitable share**

Grants received  
Conditions met - Operating  
Unconditional

29 614 000	23 375 000
(29 614 000)	(23 375 000)
-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

### **25.02 Extended Public Works Program**

Opening balance  
Grants received  
Conditions met - Operating  
Conditions still to be met

-	502 000
1 000 000	1 000 000
(1 000 000)	(1 502 000)
-	-

Job creation projects in previous disadvantage areas

### **25.03 Local Government Financial Management Grant (FMG)**

Opening balance  
Grants received  
Conditions met - Operating  
Conditions met

-	-
1 300 000	1 250 000
(1 300 000)	(1 250 000)
-	-

The Financial Management Grant is paid by National Treasury to medium capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

**25.04 Municipal Systems Improvement Grant**

Opening balance	-	-
Grants received	890 000	800 000
Conditions met - Operating	(890 000)	(800 000)
Conditions met	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, paid by National Treasury.

**25.05 Municipal Infrastructure Grant (MIG)**

Opening balance	-	-
Grants received	14 845 000	14 655 000
Conditions met - Operating	-	-
Conditions met - Capital	(14 845 000)	(14 655 000)
Conditions met	-	-

The grant was used to upgrade infrastructure in previously disadvantaged areas, paid by National Treasury.

**25.06 Housing Grants**

Opening balance	8 610 154	33 873 553
Grants received	65 293 857	39 288 616
Conditions met - Operating	(46 538 239)	(50 550 015)
Conditions met - Capital	(18 589 117)	-
Refunded	(15 350 000)	(14 000 000)
Conditions met-to be recovered	(6 573 345)	8 610 154

Housing grants was utilised for the development of erven and the erection of top structures, paid by the

**25.07 National Electrification Programme**

Opening balance	-	1 960 751
Grants received	-	500 000
Conditions met - Operating	-	-
Conditions met - Capital	-	(2 460 752)
Conditions met	-	-

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

**25.08 LGSETA Grant**

Opening balance	550 005	-
Grants received	218 997	550 005
Conditions met - Capital	-	-
Conditions met - Operating	(745 193)	-
Conditions still to be met	23 809	550 005

The grant was received from the National Treasury for the construction of a Desalination Plant to assist us in drought situations .

**25.09 ACIP**

Opening balance	-	3 461 808
Grants received	1 103 522	213 000
Conditions met - Operating	-	-
Conditions met - Capital	(1 103 522)	(3 674 808)
Conditions met	-	-

Job creation in the previous disadvantage areas

**25.10 Provincial Management Support Grant**

Opening balance	200 000	364 205
Grants received	550 000	200 000
Conditions met - Operating	(800 000)	(364 205)
Conditions met	150 000	200 000

The Grant was received from Provincial Government to assist with the implementation of Performance Management in the Municipality.

**25.11 Community Development Workers**

Opening balance	-	12 894
Grants received	32 800	54 000
Conditions met - Operating	(17 356)	(66 894)
Conditions still to be met	15 444	-

The grant was received from the Provincial Department of Local Government and Housing to assist with the operating cost of the CDW program.

**25.12 Library Grant**

Opening balance	-	39 451
Grants received	525 000	468 000
Conditions met - Operating	-	(507 451)
Conditions met - Capital	(525 000)	-
Conditions met	-	-

The grant was received from the Provincial Department of Local Government to assist with the operating cost of libraries. The funds should be used to assist with the appointment of temporary staff and literacy projects. No funds were withheld.

**25.13 Spatial Planning**

Opening balance	-	184 200
Conditions met - Operating	-	(184 200)
Conditions met	-	-

The grant was received from the Provincial Department of Environmental Affairs and Planning for the review of the spatial development framework. No funds were withheld. Projects that relates to Spatial Planning are

**25.14 Traffic Disaster**

Opening balance	-	782
Conditions met - Operating	-	(782)
Conditions met	-	-

The grant was received from Provincial Department to assist with Traffic Disasters

**25.15 Municipal Replacement Grant**

Opening balance	-	-
Grants received	5 204 000	3 439 000
Conditions met - Operating	(4 883 516)	(3 439 000)
Conditions met - Capital	(320 484)	-
Conditions met	-	-

This grant was received as a contribution for the operational cost of the libraries

**25.16 Proclaimed Roads Maintenance**

Opening balance	-	498 349
Grants received	1 139 800	33 343
Conditions met - Operating	(1 140 000)	-
Conditions met - Capital	-	(531 692)
Conditions met to be recovered	(200)	-

This subsidy was for maintenance on main roads , belonging to the Western Cape Government

**25.17 Eskom Demand Side Management (EDSM)**

Opening balance	(280 000)	(280 000)
Grants received	280 000	-
Conditions met - Capital	-	-
Conditions met	-	(280 000)

**25.18 Emergency Funding N.D.M.C**

Opening balance	12 299 833	-
Grants received	329 200	13 835 080
Conditions met - Operating	-	-
Conditions met - Capital	(12 299 833)	(1 535 247)
Conditions still to be met	329 200	12 299 833

**25.19 Sport and Recreation**

Opening balance	200 000	-
Grants received	-	200 000
Conditions met - Operating	-	-
Conditions met - Capital	(200 000)	-
Conditions met	-	200 000

**25.20 Thusong Sentrum**

Opening balance	-	-
Grants received	218 000	218 000
Conditions met - Operating	(218 000)	(218 000)
Conditions met - Capital	-	-
Conditions met	-	-



<b>25.21 Working Integrated Learning</b>		
Opening balance	-	-
Grants received	43 200	
Conditions met - Operating	(48 180)	
Conditions met - Capital	-	-
Conditions met-to be recovered	<u>(4 980)</u>	<u>-</u>
<b>25.22 Eden DM</b>		
Opening balance	-	-
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>
<b>25.23 Total Grants</b>		
Opening balance	21 579 992	40 617 993
Grants received	122 587 376	100 077 044
Conditions met - Operating	(86 994 484)	(82 257 547)
Conditions met - Capital	(47 882 956)	(22 857 499)
Refunded	<u>(15 350 000)</u>	<u>(14 000 000)</u>
Conditions still to be met/(Grant expenditure to be recovered)	<u>(6 060 072)</u>	<u>21 579 991</u>
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	518 454	21 859 992
Unpaid Conditional Government Grants and Receipts	<u>(6 578 526)</u>	<u>(280 000)</u>
	<u>(6 060 072)</u>	<u>21 579 992</u>
<b>26 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Augmentation Fees: Electricity	370 676	84 515
Augmentation Fees: Water	212 612	215 589
Augmentation Fees: Sewerage	105 846	263 389
LED Strategy	-	205 996
Alien Vegetation Eradication	-	194 881
Beaches	31 450	-
Kwanu Sport fields	<u>2 184 735</u>	<u>141 880</u>
	<u>2 905 319</u>	<u>1 106 231</u>
<b>27 SERVICE CHARGES</b>		
Electricity charges	100 054 401	94 737 808
Water charges	36 923 455	35 410 530
Refuse removal charges	19 162 005	18 164 783
Sewerage and Sanitation Charges	<u>34 743 888</u>	<u>32 222 287</u>
	190 883 750	180 535 168
Less: Rebates	<u>(4 161 996)</u>	<u>(4 988 681)</u>
<b>Total Service Charges</b>	<u>186 701 753</u>	<u>175 546 505</u>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
<b>28 OTHER INCOME</b>		
Fuel Sales	-	739
Landing Fees	59 746	23 893
Building Plan Fees	1 952 207	1 478 115
Boat Launching Fees	130 123	219 876
List of building plans	2 879	2 557
Fire fighting fees	83 582	99 933
Cemetery Fees	32 867	31 487
Conservancy Fees	1 177 128	1 101 428
Connection Fees	207 822	399 996
Services Connections	81 541	82 428
Re/disconnections	646 658	798 098
Reversal of landfill rehabilitation cost	5 939 538	-
Sundries	<u>5 081 247</u>	<u>4 376 921</u>
<b>Total Other Income</b>	<u>16 395 338</u>	<u>8 616 573</u>
<b>29 EMPLOYEE RELATED COSTS</b>		
Salaries and Wages	72 215 389	63 263 747
Contributions to UIF and pensions	12 503 457	10 083 417
Bonuses	5 315 131	2 099 839
Overtime payments	5 546 627	4 045 472
Standby Allowance	3 315 538	858 683
Traveling Allowance and subsistence and other Allowances	10 317 891	8 030 043
Housing Benefits and Allowance	470 926	557 140
Medical Aid contributions	8 790 870	8 218 631
Contributions to Group Insurance	2 127 962	1 800 424
Contributions to Leave	3 794 047	3 028 053
Contribution to Post Employment Medical	9 244 913	8 367 542
Contribution to Long Service awards	712 649	616 349
<b>Total Employee Related Costs</b>	<u>134 365 377</u>	<u>110 987 339</u>

## KEY MANAGEMENT PERSONNEL

The Municipal Manager and Directors are appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period.

### REMUNERATION OF KEY MANAGEMENT PERSONNEL

#### Remuneration of the Municipal Manager

##### Mr AA Paulse

Annual Remuneration	934 246	881 001
Allowance	83 449	-
Annual Bonus (Thirteenth cheque)	77 854	8 423
Travelling Allowance	240 000	161 316
Telephone allowance	-	13 500
Contributions to UIF, Medical, Pension Funds and Bargaining Council	212 747	143 681
<b>Total</b>	<b>1 648 296</b>	<b>1 207 921</b>

#### Remuneration of the Director Infrastructure and Technical Services

##### Mr P Ngqumsho

Annual Remuneration	561 192	911 995
Allowance	505 772	7 415
Telephone allowance	16 500	-
Travelling Allowance	132 000	132 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	117 913	114 335
<b>Total</b>	<b>1 333 376</b>	<b>1 165 744</b>

#### Remuneration of the Director Corporate Services

##### Mr R Smit

Annual Remuneration	873 909	370 896
Annual Bonus (Thirteenth cheque)	131 688	-
Allowance	33 787	-
Travelling Allowance	96 000	25 000
Other Allowance	56 115	-
Telephone allowance	18 000	7 500
Contributions to UIF, Medical, Pension Funds and Bargaining Council	159 165	66 317
<b>Total</b>	<b>1 368 663</b>	<b>469 713</b>

#### Remuneration of the Director Community Services

##### Mr MG Stratu

Annual Remuneration	1 012 056	930 562
Allowance	12 000	-
Acting Allowance	11 390	-
Travelling Allowance	250 134	168 781
Contributions to UIF, Medical, Pension Funds and Bargaining Council	42 064	38 987
<b>Total</b>	<b>1 327 644</b>	<b>1 165 328</b>

#### Remuneration of the Chief Financial Officer

##### Mr FM Lötter

Annual Remuneration	1 144 179	690 809
Travelling Allowance	227 070	178 899
Telephone allowance	18 000	15 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	23 090	17 852
<b>Total</b>	<b>1 412 339</b>	<b>1 102 560</b>

#### Remuneration of the Director : Strategic Services

##### Mr D Lombard

Annual Remuneration	528 000	844 858
Rental Allowance	120 000	84 333
Allowance	463 015	-
Travelling Allowance	204 000	174 858
Telephone allowance	18 000	18 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	1 661	1 784
<b>Total</b>	<b>1 334 876</b>	<b>1 123 833</b>

### 30 REMUNERATION OF COUNCILLORS

Executive Mayor	727 192	611 895
Deputy Executive Mayor	567 602	489 516
Speaker	584 002	614 636
Mayoral Committee Members	1 088 549	772 426
Councillors	1 768 242	1 352 269
Councillors-other allowances	18 722	205 235
<b>Total Councillors' Remuneration</b>	<b>4 710 310</b>	<b>4 045 976</b>

#### In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties. The Executive Mayor is also provided with official transport for public duties.

### 31 DEBT IMPAIRMENT

Receivables from exchange transactions - Note 20	10 358 546	11 881 107
Receivables from non-exchange transactions - Note 21	19 305 769	1 227 677
<b>Total Contribution to Debt Impairment</b>	<b>29 664 316</b>	<b>13 108 784</b>
Less: Portion Relating to VAT	(1 497 779)	(1 459 083)
<b>Debt Impairment recognised in statement of financial performance</b>	<b>28 166 537</b>	<b>11 649 701</b>

Included in the provision for Debt Impairment for Receivables from non-exchange transactions is an amount of R16324466 which represents possible future traffic fines to be written off in terms of the prescriptions issued in i GRAP 1

**32 DEPRECIATION AND AMORTISATION**

Property Plant and Equipment	17 079 412	18 331 484
Investment Property	2 713	168 107
Intangible Assets	106 131	657 562
	<u>17 188 256</u>	<u>19 157 152</u>

**33 IMPAIRMENTS/WRITE-OFFS**

Property Plant & Equipment	9 897 019	7 320 479
Intangible Assets	3 706 136	2 918 135
Inventory	-	-
	<u>13 603 155</u>	<u>10 238 614</u>

**34 FINANCE CHARGES**

Long-term Liabilities	13 609 264	13 188 628
Finance leases	73 991	165 329
Tip site restoration contribution	-	305 132
Pension Fund	-	204 945
Total finance charges	<u>13 683 255</u>	<u>13 864 033</u>

**35 BULK PURCHASES**

Electricity bulk	76 399 870	70 486 020
Total Bulk Purchases	<u>76 399 870</u>	<u>70 486 020</u>

	2014 R	2013 R
<b>36 GENERAL EXPENSES</b>		
Advertising	702 560	547 255
Hire & Maintenance	1 158 826	1 219 126
Hire of Vehicles	2 898 900	1 545 680
Insurance	1 193 702	1 020 405
Materials and Stores	791 976	841 979
Printing and Stationary	584 257	669 295
Audit Fees	2 026 438	1 407 019
Rent: Other	1 582 169	1 211 965
Events & Festivals	12 268	93 721
Disaster Relief	478 852	382 352
Congresses and Seminars	2 080 078	1 489 793
Telecommunication	1 157 031	1 234 235
Training	231 878	603 384
Legal Expenses	1 622 753	2 769 189
Electricity Supply	46 645	46 704
General Clean-up	523 202	95 738
Vehicle Operating Cost	4 330 267	4 294 875
Chemicals	1 379 429	1 227 357
Other	19 478 576	19 025 067
<b>Total General Expenses</b>	<b>42 279 887</b>	<b>39 527 141</b>

**37 CORRECTION OF ERRORS IN TERMS OF GRAP 3**

Prior year adjustments due to non-compliance with Accounting policy and errors

- 37.01 (a) With the revenue enhancement audit, errors were found with various debtors for rates and services erroneously not trans actioned which effecting the following accounts: (Dt) Receivables from non- exchange transactions R859647.62, (Dt) Receivables from exchange transactions R1189540.74 and, (Ct) Acc Surplus prior years R1148318.42 (Ct) Acc Surplus current year R900869.94
- (b) During the asset count , moveable assets were found which don't appear in the Asset Register. The assets have now been recognise and capitalized at deemed cost in terms of Councils' accounting policy, and is brought in the asset register as "Other Assets". This first time recognition was done with the following entries : (Dt) Property, Plant and Equipment - cost R353361.57, (Ct) Acc Surplus - prior years) -R353361.57 (Ct) Property , Plant and Equipment - Acc Depreciation- R183066.19, and (Dt) Acc Surplus - prior years (Acc Depreciation) R152555.16 , and (Dt) Acc Surplus- current year (Depreciation 2012/13) R30511.03
- (c) After reviewing the project details of the Energy Efficiency Programme, it was found that replacement of street lights (bulbs) was previously erroneously capitalized as street lights. Bulbs replacement relate to repairs and maintenance and this error is now corrected with the following entries : (Dt) Acc Surplus - prior years R8338609.94 and (Ct) Property, Plant and Equipment Electricity Reticulation - R8338609.94, (Ct) Acc Surplus -prior years -R257362.45, (Ct) Acc Surplus- current year (Depreciation) R192655.13, and (Dt) Property, Plant and Equipment R450017,58 (Accumulated Depreciation)
- (d) The Kwanokuthula water reservoir project was overstated with retention fees that was in correctly paid to the service provider. This error is now rectified with the following entries ( Dt) Payables from exchange transactions R485435.13 and (Ct) Property, Plant and Equipment- Water Reservoirs & and Reticulation R485435.13
- (e) With the finalizing of the Asset Register it was found that four vehicles were depreciated beyond their residual values, amounted to R10273.48, and various agricultural properties were incorrectly capitalized amounted to R1637622 Furthermore housing properties amounted to R33000 were also incorrectly capitalized. These errors are now rectified with the following entries : (Dt) Acc Surplus -prior years R1670622 and (Ct) Property, Plant and Equipment (Land ) R33000 and (Ct) Investment Properties R1637622. (Ct) Acc Surplus - current year (depreciation) and (Dt) Property , Plant and Equipment (motor vehicles) R10273.48

The above representing the narratives of the following Corrections of Errors  
as set out from notes 37.02 to 37.10

	2013 R	2012 R
<b>37.02 Accumulated Surplus</b>		
Balance previously reported	533 821 338	494 699 893
Correction of errors -see note 37.01(a)	2 049 188	1 148 318
Correction of errors -see note 37.01(b)	353 362	353 362
Correction of errors -see note 37.01(b)	(183 066)	(152 555)
Correction of errors -see note 37.01(c)	(8 338 610)	(8 338 610)
Correction of errors -see note 37.01(c)	450 018	257 362
Correction of errors -see note 37.01(e)	(1 670 622)	(1 670 622)
Correction of errors -see note 37.01(e)	10 273	
<b>Restated balance</b>	<b>626 491 880</b>	<b>486 197 148</b>
<b>37.03 Receivables from exchange transactions</b>		
Balance previously reported	29 817 910	31 290 859
Correction of error - see note 37.1.(a)	1 189 541	627 293
<b>Restated balance</b>	<b>31 007 451</b>	<b>31 918 152</b>
<b>37.04 Receivables from non-exchange transactions</b>		
Balance previously reported	13 786 682	12 972 726
Correction of error-see note 37.1 (a)	859 648	521 026
<b>Restated balance</b>	<b>14 646 330</b>	<b>13 493 752</b>
<b>37.05 Payables from exchange transactions</b>		
Balance previously reported	30 134 486	29 214 343
Correction of error -see note 37.1(a)	(485 435)	(485 435)
Correction of error -see note 37.1(c)		
<b>Restated balance</b>	<b>29 649 051</b>	<b>28 728 908</b>
<b>37.06 Property, Plant and Equipment</b>		
Balance previously reported	620 930 246	605 996 253
Correction of error- see note 37.1(b)	353 362	353 362
Correction of error- see note 37.1(b)	(183 066)	(152 555)
Correction of error- see note 37.1(c)	(8 338 610)	(8 338 610)
Correction of error-see note 37.1.(c)	450 018	257 362
Correction of error-see note 37.1.(d)	(485 435)	(485 435)
Correction of error-see note 37.1.(e)	(33 000)	(33 000)
Correction of error-see note 37.1.(e)	10 273	
<b>Restated balance</b>	<b>612 703 787</b>	<b>697 697 377</b>
<b>37.07 Investment Property</b>		
Balance previously reported	90 393 059	93 479 302
Correction of error-see note 37.1.(e)	(1 637 622)	(1 637 622)
<b>Restated balance</b>	<b>88 755 437</b>	<b>91 841 680</b>
<b>37.11 Statement of Performance</b>		
Balance previously reported	44 221 441	
Correction of error-see note 37.1.(a)	900 870	
Correction of error-see note 37.1.(b)	(30 511)	
Correction of error- see note 37.1.(c)	192 655	
Correction of error -see note 37.1.(e)	10 273	
Effect on Employee related cost		
Effect on Services	582 463	
Effect on Property Taxes	338 622	
Effect on Interest on debtors	(215)	
Effect on Depreciation and Amortisation	172 418	
Effect on Repairs and Maintenance		
Effect on Bulk Purchases		
Effect on General Expenditure		
<b>Restated balance</b>	<b>46 294 729</b>	<b>-</b>

	2014 R	2013 R
<b>38 RECONCILIATION BETWEEN NET DEFICIT FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus for the year	63 895 900	45 294 729
<b>Adjustments for:</b>		
Depreciation	17 082 125	18 499 589
Amortisation of Intangible Assets	106 131	657 562
Asset Impairment	13 603 155	10 238 614
Grants received	122 587 377	100 077 046
Grants recognised as revenue	(152 412 176)	(119 674 623)
Debt Impairment	29 684 315	13 108 784
Debt Impairment-written off	(6 932 427)	(15 106 239)
Contribution to non current liability	-	(7 882 704)
Contribution to employee benefits-current	1 320 525	(120 269)
Contribution from/to employee benefits-non current	11 825 589	3 421 563
Provisions	(6 209 091)	8 488 953
Operating lease income accrued	(17 165)	1 782
Operating lease expenses accrued	(26 371)	(20 998)
Operating Surplus before changes in working capital	94 487 886	56 963 799
Changes in working capital	(22 719 289)	(5 761 167)
(Decrease)/increase in Payables from Exchange Transactions	12 442 003	920 145
Increase in Taxes	(9 382 532)	(8 102 369)
Decrease in Inventory	86 425	(334 521)
(Increase) in Trade and other receivables	(25 865 185)	1 755 579
<b>Cash generated by operations</b>	<b>71 768 597</b>	<b>51 202 632</b>
<b>39 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 23	25 784 902	10 521 854
Cash Floals - Note 23	11 220	11 220
Bank - Note 23	23 400 922	31 675 416
<b>Total cash and cash equivalents</b>	<b>49 177 044</b>	<b>42 208 490</b>
<b>40 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 39	49 177 044	42 208 490
Less:	49 177 044	42 208 490
	(17 652 684)	21 554 646
Unspent Committed Conditional Grants - Note 10	518 454	21 859 992
Unpaid Conditional Grants- Note 10	(6 578 525)	(280 000)
VAT - Note 12	(12 511 671)	(3 129 139)
Unspent Public Contributions	919 058	3 103 793
<b>Resources available for working capital requirements</b>	<b>66 829 727</b>	<b>20 653 844</b>
<b>41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 3	132 757 358	127 775 579
Used to finance property, plant and equipment - at cost	(132 757 358)	(127 775 579)
Cash set aside for the repayment of long-term liabilities	-	-
Cash Invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

## BUDGET COMPARISONS

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
<b>42.01 Operational</b>				
<b>Revenue by source</b>				
Property taxes	95 014 876	99 583 774	(4 568 899)	-4.59%
Government Grants and Subsidies-capital	47 882 958	42 214 855	5 668 101	13.43%
Government Grants and Subsidies	86 994 485	106 908 505	(19 914 020)	-18.63%
Public Contributions and Donations	2 905 319	3 567 018	(661 699)	-18.55%
Actuarial Gain	222 438	-	222 438	100.00%
Fines	28 611 844	6 991 285	21 620 559	309.25%
Service Charges	186 701 753	191 889 978	(5 188 225)	-2.70%
Rental of Facilities and Equipment	1 347 280	1 254 668	92 612	7.38%
Interest Earned - external investments	3 365 138	2 340 216	1 024 922	43.80%
Interest Earned - outstanding debtors	3 641 102	3 300 000	341 102	10.34%
Agency Services	1 147 129	1 164 146	(17 017)	-1.46%
Other Income	15 395 338	5 627 341	9 767 997	173.58%
Licences and Permits	54 049	56 219	(2 170)	-3.86%
	<b>473 283 704</b>	<b>464 898 005</b>	<b>8 385 699</b>	<b>1.80%</b>
<b>Expenditure by nature</b>				
Employee Related Costs	134 355 377	130 051 851	4 303 526	3.31%
Remuneration of Councilors	4 710 310	4 712 235	(1 925)	-0.04%
Debt Impairment	28 166 537	15 018 714	13 147 823	87.54%
Collection Cost	880 068	849 357	30 709	3.62%
Depreciation and Amortisation	17 188 256	21 095 281	(3 907 025)	-18.52%
Impairments/Write-Offs	13 603 155	-	13 603 155	100.00%
Repairs and Maintenance	10 540 352	11 027 410	(487 058)	-4.42%
Actuarial losses	3 686 360	-	3 686 360	100.00%
Finance Charges	13 683 255	13 927 225	(243 970)	-1.75%
Bulk Purchases	76 399 870	73 449 174	2 950 696	4.02%
Contracted services	14 224 153	15 969 523	(1 745 370)	-10.93%
Operating Grant Expenditure	49 670 305	72 197 110	(22 526 805)	-31.20%
General Expenses	42 279 807	46 780 977	(4 501 170)	-9.62%
	<b>409 387 804</b>	<b>405 078 857</b>	<b>4 308 947</b>	<b>1.06%</b>
<b>Net Surplus for the year</b>	<b>63 895 900</b>	<b>59 819 148</b>	<b>4 076 752</b>	<b>6.82%</b>

**Reasons: Revenue by source**

Material variances are considered for variances larger than R4 million

Property taxes: budgeting error with the may month adjustments budgets.

Government Grants and Subsidies Capital: misalignment between capital and operating grant on housing

Government Grants and Subsidies Operating: misalignment between capital and operating grant on housing

Fines: income recognition as a result of I GRAP 1

Service Charges: underperformance in waste and water services, this can be due to tariff structure and cost of these services

Other Income: more accurate estimate on the landfill site costs and proper management of sundry income

**Reasons: Expenditure by nature**

Material variances are considered for variances larger than R4 million

Employee related cost: post retirement obligation was under budgeted by 1,4m. Leave provision was also under budgeted by 1,7m. Workman compensation

obligation of 2010/11 and 2011/12 which were never paid amounting to 1,1m. No provision nor creditor was made for this in the previous financial years

Debt Impairment: a saving of 3m on the budgeted debt impairment, and a 16m debt impairment on traffic fines which was not budgeted and was

as a result of I GRAP 1

Depreciation and Amortisation: • Remaining Useful Life adjustments accounted for more than half of the budget variance.

Amongst these were the change of all Buildings EUL's from 30 years to 100 years. The de-recognition of assets, which resulted in R0 calculations

for the applicable assets.

Impairments/Write off: de-recognition of missing and scrap assets

Operating Grant Expenditure: unpaid grant in the beginning of the financial year and misalignment between operating and capital budget on housing.

General Expenditure: due to aggressive effort to save on expenditure on consultants fees and hire of vehicles

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
<b>42.02 Expenditure by Vote</b>				
<b>Material variances are considered for variances larger than R4 million</b>				
Community Services	131 036 468	138 371 746	(7 335 278)	-5.30%
Corporate Services	19 782 782	20 547 007	(764 225)	-3.72%
Council	32 207 372	24 787 052	7 420 320	29.94%
Financial Services	37 835 030	38 394 788	(559 758)	-1.46%
Municipal Services and Infrastructure Development	158 231 903	158 476 725	(244 822)	-0.15%
Office of the Municipal Manager	7 101 279	7 143 567	(42 288)	-0.59%
Strategic Services	28 770 335	21 433 959	7 336 376	34.23%
	<b>414 965 168</b>	<b>409 154 844</b>	<b>5 810 324</b>	<b>1.42%</b>
Less : Internal charges	<b>(5 577 364)</b>	<b>(4 075 987)</b>	<b>(1 501 377)</b>	<b>36.83%</b>
	<b>409 387 804</b>	<b>405 078 857</b>	<b>4 308 947</b>	<b>1.06%</b>

**Reasons for variances:**

Executive & Council; Traffic fines which was not budgeted and was as a result of I GRAP 1

Budget and Treasury; due to efforts to save on use of consultants as well as debt to be written off

Housing; unpaid grant in the beginning of the financial year and misalignment between operating and capital budget on housing

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
<b>42.03 Capital expenditure by vote</b>				
<i>Material variances are considered for variances larger than R4 million</i>				
Community Services	28 680 632	23 577 721	5 102 911	21.64%
Corporate Services	1 236 845	1 652 691	(415 846)	-25.16%
Council	364 463	478 000	(113 537)	-23.75%
Financial Services	597 030	1 062 700	(465 670)	-43.82%
Strategic Services	213 170	403 000	(189 830)	-47.10%
Municipal Services and Infrastructure Development	38 772 454	41 751 151	(2 978 697)	-7.13%
	<b>69 864 695</b>	<b>68 925 263</b>	<b>939 332</b>	<b>1.36%</b>

**Reasons for variances:**

Housing; unpaid grant in the beginning of the financial year and misalignment between operating and capital budget on housing

**43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**43.01 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	26 918 613	69 034 100
Unauthorised expenditure current year - capital		674 979
Unauthorised expenditure current year - operating	14 756 695	26 241 634
Condoned by council	(26 916 613)	(69 034 100)
Unspent Grants not cash backed	-	-
Unauthorised expenditure awaiting authorisation	<b>14 756 695</b>	<b>26 916 613</b>

Unauthorised expenditure on operating votes is mainly due to book entry amounts, of which the amounts were only known at year end and which recognition is compulsory in terms of GRAP implementation. The contributing factors to the overspending are as follows:

Vote- Council

Actuarial losses	R 3 687 145
Bad Debt provision	R 2 732 351
Other	R 990 292

Vote-Strategic Services

Asset Impairments	R 7 336 376
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Incident	Disciplinary steps/criminal proceedings		
Over expenditure on votes 2012/2013	Condoned by Council		26 916 613
Over expenditure on votes 2013/2014	None	14 756 695	
		-	
		<b>14 756 695</b>	<b>26 916 613</b>
		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>

**43.02 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	944 145	4 480 425
Fruitless and wasteful expenditure current year		944 145
Condoned	(944 145)	(4 480 425)
Fruitless and wasteful expenditure awaiting further action	-	<b>944 145</b>

Incident	Disciplinary steps/criminal proceedings		
			944 145
		-	
		-	
		-	
		-	
		<b>944 145</b>	
		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>

**43.03 Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	139 975	5 163 079
Irregular expenditure condoned		(5 163 079)
Irregular expenditure current year	-	139 975
Condoned	(139 975)	
Irregular expenditure awaiting further action	-	<b>139 975</b>

Incident	Disciplinary steps/criminal proceedings		
Deviations from the normal procurement processes not recorded	condoned 2013/14	-	37 370
Purchases made from companies that not appear on the suppliers list	condoned 2013/14	-	102 605
		-	<b>139 975</b>



43.04	<u>Material Losses</u>	2014	2013
	<u>Water distribution losses</u>		
	- Kilo litres disinfected/purified/purchased	3 548 003	2 828 448
	- Kilo litres lost during distribution	249 611	288 682
	- Percentage lost during distribution	7.04%	10.21%
	<u>Electricity distribution losses</u>		
	- Units purchased (Kwh)	105 019 258	105 735 012
	- Units lost during distribution (Kwh)	18 980 957	16 731 017
	- Percentage lost during distribution	17.90%	15.82%
		2014	2013
		R	R
44	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
44.01	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Council subscriptions	1 299 212	815 224
	Amount paid - current year	(1 299 212)	(815 224)
	<b>Balance unpaid (Included in creditors)</b>	-	-
		2014	2013
		R	R
44.02	<u>Audit fees - [MFMA 125 (1)(c)]</u>		
	Opening balance	-	-
	Current year audit fee	2 026 438	1 407 019
	External Audit - Auditor-General	2 026 438	1 407 019
	Amount paid - current year	(2 026 438)	(1 407 019)
	<b>Balance unpaid (Included in creditors)</b>	-	-
44.03	<u>VAT - [MFMA 125 (1)(b)]</u>		
	Vat in suspense	12 511 671	3 129 139
	<b>Receivable/Payable</b>	12 511 671	3 129 139
	VAT is payable/receivable on the receipt basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
		2014	2013
		R	R
44.04	<u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u>		
	Opening Balance	-	957 917
	Current year payroll deductions and Council Contributions	17 012 938	13 455 406
	Amount paid - current year	(17 013 736)	(14 413 323)
	<b>Balance unpaid (Included in creditors)</b>	(798)	-
44.05	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
	Opening balance	-	970 425
	Current year payroll deductions and Council Contributions	30 055 381	28 929 615
	Amount paid - current year	(30 055 381)	(27 900 040)
	<b>Balance unpaid (Included in creditors)</b>	(0)	-
44.06	<u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>		
	Councillors with arrear accounts for more than 90 days as at 30 June 2013		
		2014	2013
		R	R
	<b>Outstanding more than 90 days</b>	<b>Outstanding more than 90 days</b>	
	S.E. Gcabayi	1 031	5 973
	S Besana	-	3 539
	Ndayi	-	1 073
	<b>Total Councillor Arrear Consumer Accounts</b>	1 031	10 585

**44.07 Other non-compliance (MFMA 125(2)(e))**

Deviations from, and ratifications of breaches of the Procurement Processes due to Specialised Services, Advertising, Accommodation, Sole Suppliers, Emergencies, Breakdowns, Strip and Quotes  
All the deviations were ratified by the Municipal Manager and reported to Council

	Less than 30 000	Between 30 001 200 000	Between R200 001 and 2 000 000	More than 2 000 000
Corporate Services	162 996	522 617	218 101	
MSID	526 488	1 508 334	2 563 620	2 069 603
Financial Services	242 630	1 504 878	1 422 371	
Community Services	536 045	3 168 729	2 412 019	
Municipal Manager	-	-	-	
Mayors Office	1 800	-	-	
Strategic Services	190 234	313 283	-	
<b>Total</b>	<b>1 660 193</b>	<b>7 015 841</b>	<b>6 636 111</b>	<b>2 069 603</b>

**44.08 Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).**

Company	Name	Relation	Amount R
Prophetic Expression Flower shop	Jan Stuurman	Wife	9 190
Pikas Tours	Johannes Pika	Brother	19 300
Emawusheni Construction	Mninikhaya Siko	Sister	21 373
Emawusheni Construction	Mandisa Gloria S	Sister in law	21 373
JE Freeks Catering	Venus Cunningham	Mother	8 110
Buchumile General Trading	James Sijama	Wife	255 291
Imvusa Trading 1800 CC	Siyabulela Malo	Brother	97 749
Shakyna Projects	Sean Ganga	Brother in law	520 152
Sizila Construction	Albert Gova	Brother	61 850

**45 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

Approved and contracted for:

**11 734 411**      **78 648 405**

Total commitments consist out of the following:

Tender SCM/COMM 08/2013	650 012	7 916 338
Tender SCM/COMM 08/2013		13 522 473
Tender MSID 12/2013		33 511 222
Tender STRAT 26/2013		914 558
Tender MSID 27/2013		16 620 750
Tender COMM 40/2013		6 163 065
Tender SCM/COMM 34/2013	1 066 284	
Tender SCM/MSID 18/2014	478 858	
Tender SCM/MSID 24/2014	4 737 020	
Tender SCM/MSID 26/2014	1 112 621	
Tender SCM/MSID 57/2014	3 689 618	

This expenditure will be financed from:

Government Grants and Subsidies	6 453 316	78 648 405
External Loans	5 281 095	-
Own Funds	-	-
	<b>11 734 411</b>	<b>78 648 405</b>

## FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

## (a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

## (b) Price risk

The municipality is not exposed to price risk.

## (c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates, based on year end exposure, were as follow:

0.5% Increase in interest rates	(298 628)	(419 794)
0.5% Decrease in interest rates	298 628	419 794

## (d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2014 %	2014 R	2013 %	2013 R
<b>Non-Exchange Receivables</b>				
Rates	28.87%	6 626 785	100.00%	7 818 058
Traffic Fines	71.13%	16 324 466		-
	100.00%	22 951 251	100.00%	7 818 058
<b>Exchange Receivables</b>				
Electricity	5.26%	704 799	0.57%	50 845
Water	32.24%	4 322 547	28.37%	2 533 250
Sewerage	34.87%	4 676 170	48.48%	4 149 106
Sundries	12.55%	1 683 420	11.07%	988 245
Refuse Removal	13.79%	1 848 391	12.29%	1 097 554
Housing Rentals	1.29%	173 306	1.25%	111 805
	100.00%	13 408 634	100.00%	8 930 805

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 20 and 21 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2014 %	2014 R	2013 %	2013 R
<u>Non-Exchange Receivables</u>				
Rates	25.32%	6 495 399	100.00%	6 366 084
Other	11.05%	2 835 804		
Traffic Fines	63.63%	16 324 486		-
	100.00%	25 655 669	100.00%	5 366 084
<u>Exchange Receivables</u>				
Electricity	10.16%	3 716 959	9.31%	3 177 784
Water	28.24%	10 701 591	24.68%	8 498 437
Refuse	22.98%	8 409 294	23.04%	7 868 816
Sewerage	30.24%	11 064 801	30.55%	10 433 586
Other	6.42%	2 347 889	11.43%	3 902 446
Housing Rentals	0.96%	352 844	0.79%	269 806
	100.00%	36 593 178	100.00%	34 150 875

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. An investment to the value of R 4879989 is held as security for a loan raised with ABSA. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2014 R	2013 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	31 113 935	31 007 450
Receivables from non-exchange transactions	17 673 143	14 646 330
Cash and Cash Equivalents	49 177 044	42 208 490
Unpaid conditional grants and subsidies	6 578 526	280 000
Long-term Receivables	58 360	135 221
Non-Current Investments	4 879 989	4 577 513
	109 480 897	92 855 004

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2014</b>				
Long Term liabilities	26 391 088	95 762 476	74 385 246	19 424 088
Capital repayments	12 244 733	52 781 252	52 536 874	15 237 311
Interest	14 146 355	42 981 224	21 848 372	4 186 777
Non-Current Provision	-	-	-	-
Trade and Other Payables	34 940 494	-	-	-
Unspent conditional government grants and receipts	518 454	-	-	-
	61 850 037	95 762 476	74 385 246	19 424 088

2013	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities	25 074 080	87 951 332	78 400 197	26 013 249
Capital repayments	11 168 842	44 097 738	52 703 479	19 805 520
Interest	13 905 238	43 853 594	25 696 718	6 207 729
Non Current Provision	-	-	-	-
Trade and Other Payables	23 990 878	-	-	-
Unspent conditional government grants and receipts	21 859 892	-	-	-
	<b>70 924 950</b>	<b>87 951 332</b>	<b>78 400 197</b>	<b>26 013 249</b>

		2014 R	2013 R
<b>47 FINANCIAL INSTRUMENTS</b>			
In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:			
The fair value of financial instruments approximates the amortised costs as reflected below.			
<b>47.01 Financial Assets</b>	<b>Classification</b>		
<b>Long-Term Receivables</b>			
House Loans	Financial instruments at amortised cost	58 360	135 221
<b>Receivables</b>			
Receivables from exchange transactions	Financial instruments at amortised cost	31 113 935	31 007 450
Receivables from non- exchange transactions (excluding rates)	Financial instruments at amortised cost	22 643 163	2 113 636
<b>Current Portion of Long-Term Receivables</b>			
Housing Loans		76 842	76 465
<b>Short-term Investment Deposits</b>			
Call Deposits	Financial instruments at amortised cost	25 764 902	10 521 854
<b>Bank Balances and Cash</b>			
Bank Balances	Financial instruments at amortised cost	23 400 922	31 675 416
Cash Floats and Advances	Financial instruments at amortised cost	11 220	11 220
<b>Investments</b>	Financial instruments at amortised cost	4 879 989	4 577 513
		<b>107 949 332</b>	<b>80 118 776</b>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
Financial instruments at amortised cost		107 949 332	80 118 776
At amortised cost		<b>107 949 332</b>	<b>80 118 776</b>

#### FINANCIAL INSTRUMENTS (CONTINUE)

<b>47.02 Financial Liability</b>	<b>Classification</b>		
<b>Long-term Liabilities</b>			
Annuity Loans	Financial instruments at amortised cost	120 335 337	116 331 412
Capitalised Lease Liability	Financial instruments at amortised cost	209 572	275 325
<b>Payables from exchange transactions</b>			
Trade creditors	Financial instruments at amortised cost	29 363 496	21 201 290
Other	Financial instruments at amortised cost	5 576 999	2 789 588
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Financial instruments at amortised cost	11 891 991	10 370 492
Capitalised Lease Liability	Financial instruments at amortised cost	320 458	798 350
		<b>167 697 853</b>	<b>151 766 457</b>
<b>SUMMARY OF FINANCIAL LIABILITY</b>			
Financial instruments at amortised cost		<b>167 697 853</b>	<b>151 766 457</b>

#### 48 EVENTS AFTER THE REPORTING DATE

None

#### 49 IN-KIND DONATIONS AND ASSISTANCE

None

#### 50 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

**51 CONTINGENT LIABILITY**

None

**52 RELATED PARTIES**

Key Management and Councilors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

**52.01 Related Party Loans**

Since 1 July 2004 loans to councilors and senior management employees are not permitted.

**52.02 Compensation of key management personnel**

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

**52.03 Related party transactions**

	Rates and Services Levied 1 Jul 13 - 30 Jun 14	Outstanding Balances 30 June 2014
<b>Councilors</b>		
<i>Councillor M Booysen</i>	18 273	-
<i>Councillor A. B. van Rhyner</i>	2 405	-
<i>Councillor A.R. Olivier</i>	3 243	-
<i>Councillor E.E. Paulse</i>	2 945	-
<i>Councillor N M De Waal</i>	3 361	-
<i>Councillor L Jonas</i>	-	-
<i>Councillor M M Mbali</i>	-	-
<i>Councillor S Basana</i>	2 299	-
<i>Councillor N Ndayi</i>	2 873	-
<i>Councillor J.J.N. Stuurman</i>	3 168	-
<i>Councillor S.E. Gcabayi</i>	-	-
<i>Councillor W Graig</i>	28 215	-
<i>Councillor H Plaatsjes</i>	3 179	-

**52.04 Other related party transactions**

Refer to note 44.8 for other related party transactions.

**53 Material variances between original and final budget****53.01 Statement of Financial Position**

Current Assets : Increase in cash resources due to operational gains and supplemented funding

Non Current Assets : Increase in spending on PPE

Current Liabilities : No material variance

Non Current Liabilities: Increase in long term liabilities

Net Assets : No material variance in total net assets

**53.02 Statement of Financial Performance**

Revenue : Substantial over performance in traffic fines revenue as a result of accounting standard implementation  
Rates revenue over estimated as a result of lower than anticipated supplementary valuations.  
Government grants and subsidies corrected between capital and operational  
Service charges under performed, other revenue over performed due to actuarial adjustments

Expenditure : Increase in employee related cost as a result of post retirement benefits contributions  
Increase in impairment provision as a result of accounting standard implementation  
Impairments to assets not budgeted and more write offs than anticipated  
Housing grant under performed due to multi year project.

**53.03 Cash flow**

Operating Activities: More cash generated due to operational efficiencies

Cash from Investing activities:  
Increased in capital expenditure on assets due to additional allocation.

Cash from Financing Activities :  
Increase in borrowing as a result of new loan to finance capital expenditure.

**53.04 Capital Expenditure**

No material variance on total capital spending

**54**        **Material variances between actual amounts and the final budget**

**54.01**    **Statement of Financial Position**

Current Assets :        Increase in consumer and other debtors and tax receivable, increase in cash due to operational efficiency.

Non Current Assets :    Increase in property plant and equipment due to improved capital spending and subsequent additions to PPE

Current Liabilities :    Increase in payables due to accelerated spending during the last quarter of the financial year increasing payables from exchange transactions

Non Current Liabilities:: No material variance

Net Assets :            Increase in operating surplus generated due to operational efficiency, an improvement in cash position and increase in PPE .

**54.02**    **Statement of Financial Performance**

Revenue :                See note 42.1

Expenditure :            See note 42.1

**Cash flow**

Operating Activities:    More cash generated due to operational efficiencies

Cash from Investing activities:  
More cash generated due to operational efficiencies

Cash from Financing Activities :  
Increase in borrowing as a result of new loan to finance capital expenditure.

**54.03**    **Capital Expenditure**

See note 42.3

**APPENDIX A - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 JUNE 2013</b>	<b>Correction of errors</b>	<b>Balance at 30 JUNE 2013 Restated</b>	<b>Received during the period</b>	<b>Redeemed/ written off during the period</b>	<b>Balance at 30 JUNE 2014</b>
<b>ANNUITY LOANS</b>									
Development Bank	10.95%		2019/12/31	2 404 357	-	2 404 357	-	370 000	2 034 357
Development Bank	11.24%		2020/12/31	2 948 116	-	2 948 116	-	393 684	2 554 432
Development Bank	16.00%		2022/12/31	7 828 000	-	7 828 000	-	824 000	7 004 000
Development Bank	9.14%		2017/06/30	7 633 050	-	7 633 050	-	1 660 633	5 972 417
Development Bank	10.64%		2029/06/30	25 068 485	-	25 068 485	-	615 359	24 453 126
Development Bank	10.72%		2024/06/30	2 430 612	-	2 430 612	-	120 680	2 309 932
Development Bank	10.42%		2014/06/30	977 123	-	977 123	-	977 123	0
Standard Bank	10.56%		2020/06/30	2 346 178	-	2 346 178	-	234 692	2 111 486
Standard Bank	11.45%		2025/06/30	18 877 159	-	18 877 159	-	793 773	18 083 386
First National Bank	10.45%		2015/06/30	1 570 645	-	1 570 645	-	745 360	825 285
Standard Bank	11.26%		2021/06/30	14 521 975	-	14 521 975	-	1 209 820	13 312 155
Standard Bank	10.71%		2021/12/31	13 626 486	-	13 626 486	-	1 050 375	12 576 111
Standard Bank	10.86%		2021/06/30	13 159 717	-	13 159 717	-	1 008 124	12 151 593
Standard Bank			2023/06/30	12 200 000	-	12 200 000	-	692 242	11 507 758
Standard Bank			2018/06/30	1 110 000	-	1 110 000	-	178 710	931 290
<b>Total Annuity Loans</b>				<b>126 701 903</b>	<b>-</b>	<b>126 701 903</b>	<b>16 400 000</b>	<b>10 874 576</b>	<b>132 227 327</b>
<b>LEASE LIABILITY</b>									
Finance Leases				1 073 674		1 073 674	320 266	863 910	530 029
<b>Total Lease Liabilities</b>				<b>1 073 674</b>	<b>-</b>	<b>1 073 674</b>	<b>320 266</b>	<b>863 910</b>	<b>530 029</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>127 775 577</b>	<b>-</b>	<b>127 775 577</b>	<b>16 720 266</b>	<b>11 738 487</b>	<b>132 757 356</b>



**APPENDIX B - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**  
**MUNICIPAL VOTES CLASSIFICATION**

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Budget Income R	2014 Actual Income R	2013 Budget Expenditure R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
8 752	(7 471 875)	(7 463 123)	Administration Services	8 500	7 835	(9 474 179)	(9 195 444)	(9 187 609)
215 568	(1 633 709)	(1 418 140)	Aerodrome	225 396	235 035	(1 960 760)	(1 930 713)	(1 695 678)
-	-	-	Budget & Treasury Office	1 300 000	1 300 000	(2 523 730)	(2 852 524)	(1 552 524)
1 481 672	(2 155 231)	(673 560)	Building Control	1 614 989	1 955 087	(2 550 350)	(2 614 522)	(659 435)
-	-	-	Communication	-	-	(57 800)	(60 044)	(60 044)
-	(4 402 177)	(4 402 177)	Community Services	-	-	(4 460 387)	(4 496 050)	(4 496 050)
-	(453 241)	(453 241)	Computer room	-	-	(767 797)	(703 731)	(703 731)
29 885 589	(18 345 793)	11 539 796	Council's General Expense	36 690 975	41 072 739	(16 721 631)	(24 419 555)	16 653 184
101 356 139	(85 406 352)	15 949 788	Electrical & Mechanical Engineering	102 695 178	103 642 400	(96 331 099)	(94 586 972)	9 055 428
-	-	-	Expenditure	-	-	(301 846)	(407 351)	(407 351)
-	(2 367 534)	(2 367 534)	Fleet Maintenance	-	-	(1 668 860)	(1 771 462)	(1 771 462)
-	-	-	Health Services	-	-	-	-	-
-	-	-	HOD: Community Services	-	-	(24 168)	(46 879)	(46 879)
-	-	-	HOD: Corporate Services	-	-	(24 168)	(46 164)	(46 164)
-	(1 725 785)	(1 725 785)	HOD: Infrastructure Services	-	-	(2 120 592)	(2 293 233)	(2 293 233)
-	-	-	HOD: Planning & Economic Development	-	-	(24 168)	(48 356)	(48 356)
5 795 869	(18 301 961)	(12 506 092)	HOD: Financial Services	1 164 275	1 517 565	(16 360 128)	(16 198 859)	(14 681 293)
-	(2 444 366)	(2 444 366)	Human Resources Management Services	800 005	793 374	(4 799 109)	(4 209 101)	(3 415 727)
50 691 380	(45 983 342)	4 708 038	Human Settlement and Housing	79 497 610	65 273 920	(72 750 734)	(50 244 568)	15 029 352
-	-	-	IDP	-	-	(93 986)	(120 538)	(120 538)
-	(4 158 189)	(4 158 189)	Information & Communication Technology	-	-	(5 901 410)	(9 006 987)	(9 006 987)
-	(2 364 117)	(2 364 117)	Infrastructure Services	-	-	(1 718 213)	(1 698 842)	(1 698 842)
-	(1 378 756)	(1 378 756)	Internal Audit & Risk Management	-	-	(1 700 020)	(1 567 025)	(1 567 025)
-	(3 527 866)	(3 527 866)	Legal Services	-	-	(1 731 364)	(1 775 979)	(1 775 979)
3 986 830	(5 133 545)	(1 146 715)	Library & Information Services	5 860 900	5 867 555	(6 938 437)	(6 437 817)	(570 261)
587 019	(3 474 139)	(2 887 120)	Local Economic Development	-	-	(3 163 306)	(2 898 131)	(2 898 131)
573 101	(15 212 639)	(14 639 538)	Municipal Land & Buildings	531 776	580 114	(4 909 910)	(13 219 737)	(12 639 623)
-	-	-	Municipal Manager	-	-	(28 645)	(57 648)	(57 648)
-	-	-	Office Of The Deputy Mayor	-	-	-	-	-
-	-	-	Office Of The Executive Council	-	-	-	(9 301)	(9 301)
-	(4 842 934)	(4 842 934)	Office Of The Executive Mayor	-	-	(8 065 421)	(7 777 606)	(7 777 606)
-	(2 574 953)	(2 574 953)	Office Of The Municipal Manager	-	-	(2 336 035)	(2 293 704)	(2 293 704)
1 568 894	(2 362 116)	(793 222)	Office Of The Political Office Bearers	1 033 000	1 017 357	(3 078 867)	(3 182 902)	(2 165 545)
-	-	-	Office Of The Speaker	-	-	-	(909)	(909)
527 365	(6 828 273)	(6 300 908)	Parks & Recreation: Beach Contr	484 007	506 436	(7 766 748)	(7 652 611)	(7 146 175)
336 761	(7 794 231)	(7 457 469)	Parks and Recreation	3 058 120	2 384 735	(7 828 932)	(8 083 402)	(5 698 667)
31 487	(185 218)	(153 731)	Parks and Recreation: Cemeteries	32 996	32 867	(259 013)	(132 829)	(99 962)

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Budget Income R	2014 Actual Income R	2013 Budget Expenditure R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
-	-	-	Parks and Recreation: Manager	-	-	(30 585)	(48 466)	(48 466)
237 990	(269 764)	(31 774)	Parks and Recreation: Simunye Centre	312 046	325 592	(825 401)	(727 214)	(401 623)
3 674 808	(1 442 275)	2 232 533	Planning & Economic Development	-	-	(3 477 284)	(2 988 282)	(2 988 282)
-	-	-	Planning & Project Management	-	-	(68 395)	(28 228)	(28 228)
-	-	-	PMS/SDBIP/Compliance	-	-	(226 113)	(135 708)	(135 708)
531 692	(519 297)	12 394	Proclaimed Roads	1 140 000	1 140 000	(1 430 000)	(1 450 729)	(310 729)
6 103 351	(14 040 461)	(7 937 110)	Protection Services: Fire Dept	8 245 928	29 839 144	(16 547 718)	(32 887 155)	(3 048 011)
-	(3 009 169)	(3 009 169)	Protection Services: Law Enforcement	-	-	(4 802 594)	(5 039 619)	(5 039 619)
-	-	-	Revenue Services	55 800	54 300	(697 197)	(801 754)	(747 454)
-	(1 169 545)	(1 169 545)	Revenue Services : Meter Reading	-	-	(842 031)	(798 490)	(798 490)
84 154 706	(6 255 608)	77 899 098	Revenue Services : Property Rates	99 583 774	95 014 875	(8 590 685)	(4 531 480)	90 483 395
-	(12 541 795)	(12 541 795)	Roads , Stormwater & Buildings	-	-	(15 382 467)	(16 470 725)	(16 470 725)
85 746	(1 618 799)	(1 533 053)	Supply Chain Management	77 747	105 547	(2 409 964)	(2 533 855)	(2 428 308)
-	(2 001 932)	(2 001 932)	Tourism & Marketing	-	-	(2 236 208)	(2 003 169)	(2 003 169)
498 700	(1 994 170)	(1 495 469)	Town Planning & Environmental	457 765	585 983	(2 723 479)	(2 782 950)	(2 196 968)
18 340 658	(18 350 935)	(10 276)	Waste Management	22 206 633	25 208 206	(20 597 416)	(19 735 908)	5 472 298
35 343 865	(15 481 266)	19 862 598	Waste Water Purification	51 808 505	47 770 417	(15 910 245)	(12 497 858)	35 272 559
50 769 873	(13 886 575)	36 883 298	Water Services: Water Distribution	50 050 923	52 629 985	(14 972 004)	(19 834 270)	32 795 715
-	(8 383 156)	(8 383 156)	Water Services: Water Purification	-	-	(8 943 245)	(7 627 812)	(7 627 812)
396 787 815	(351 493 086)	45 294 729	<b>Sub Total</b>	468 936 848	478 861 068	-409 154 844	-414 965 168	63 895 900
-	-	-	Less Internal charges	-	-	-	-	-
396 787 815	(351 493 086)	45 294 729	<b>Total</b>	468 936 848	478 861 068	(409 154 844)	(414 965 168)	63 895 900
-	-	-		-	102.12%	-	101.42%	-

**APPENDIX C - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Budget Income	2014 Actual Income R	2013 Budget Expenditure	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
31 454 483	(33 032 418)	(1 577 934)	Executive & Council	37 723 975	42 090 096	(33 661 983)	(57 409 096)	(15 319 000)
90 036 320	(27 345 912)	62 690 408	Budget & Treasury	102 181 596	97 992 287	(31 725 581)	(28 124 312)	69 867 974
581 853	(29 740 311)	(29 158 458)	Corporate Services	1 340 281	1 381 323	(25 934 373)	(36 441 208)	(35 059 884)
6 242 199	(9 065 814)	(2 823 616)	Planning & Development	2 072 754	2 541 069	(12 327 081)	(11 616 716)	(9 075 647)
-	-	-	Health	-	-	-	-	-
4 256 307	(9 990 704)	(5 734 396)	Community & Social Services	6 205 942	6 226 014	(12 507 406)	(11 840 789)	(5 614 775)
50 691 380	(45 983 342)	4 708 038	Housing	79 497 610	65 273 920	(72 750 734)	(50 244 568)	15 029 352
6 103 351	(17 049 630)	(10 946 279)	Public Safety	8 245 928	29 839 144	(21 350 312)	(21 602 307)	8 236 837
864 127	(14 622 504)	(13 758 377)	Sport & Recreation	3 542 127	2 891 171	(15 626 265)	(15 784 480)	(12 893 309)
18 340 658	(18 350 935)	(10 276)	Waste Management	22 206 633	25 208 206	(20 597 416)	(19 735 908)	5 472 298
35 343 865	(15 481 266)	19 862 598	Waste Water Management	51 808 505	47 770 417	(15 910 245)	(12 497 858)	35 272 559
531 692	(19 518 528)	(18 986 837)	Road Transport	1 140 000	1 140 000	(22 320 132)	(23 684 991)	(22 544 991)
50 769 873	(22 269 731)	28 500 142	Water	50 050 923	52 629 985	(23 915 249)	(27 462 082)	25 167 903
101 356 139	(85 406 352)	15 949 788	Electricity	102 695 178	103 642 400	(96 331 099)	(94 586 972)	9 055 428
215 568	(3 635 640)	(3 420 072)	Other	225 396	235 035	(4 196 968)	(3 933 882)	(3 698 847)
396 787 815	(351 493 086)	45 294 729	<b>Sub Total</b>	468 936 848	478 861 068	(409 154 844)	(414 965 166)	63 895 900
(4 409 890)	4 409 890		Internal charges					-
392 377 925	(347 083 196)	45 294 729	<b>Total</b>	468 936 848	478 861 068	(409 154 844)	(414 965 166)	63 895 900
					102.12%		-101.42%	

**APPENDIX D - Unaudited**  
**BITOU LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2013	Correction of error	Balance 1 JULY 2013	Grants Received	Grant Refunded	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2014
	R	R	R	R	R	R	R	R
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>								
<u>National Government Grants</u>								
Equitable Share	-	-	-	29 614 000	-	29 614 000	14 845 000	-
MIG Grant	-	-	-	14 845 000	-	-	-	-
National Electrification Programme	-	-	-	1 103 522	-	-	1 103 522	-
ACIP	-	-	-	-	-	-	-	-
Drought Relief Grant	-	-	-	890 000	-	890 000	-	-
Municipal Systems Improvement Grant	-	-	-	1 300 000	-	1 300 000	-	-
Financial Management Grant	-	-	(280 000)	280 000	-	-	-	-
Eskom Demand Side Management (EDSM)	-	-	-	-	-	-	-	-
<b>Total National Government Grants</b>	<b>(280 000)</b>	<b>-</b>	<b>(280 000)</b>	<b>48 032 522</b>	<b>-</b>	<b>31 804 000</b>	<b>15 948 522</b>	<b>-</b>
<u>Provincial Government Grants</u>								
Provincial Management Support Grant	200 000	-	200 000	550 000	-	600 000	-	150 000
Community Development Workers	-	-	-	32 800	-	17 356	525 000	15 444
Libraries	-	-	-	525 000	-	-	-	-
MMC Kurland	-	-	-	-	-	-	-	-
Spatial Planning	-	-	-	-	-	-	-	-
Traffic Disaster	-	-	-	-	-	-	-	-
Provincial Housing Grant	8 610 154	-	8 610 154	65 293 857	15 350 000	46 538 239	18 589 117	(6 573 345)
Proclaimed Roads Maintenance	-	-	-	1 139 800	-	1 140 000	(200)	-
EPWP	-	-	-	1 000 000	-	1 000 000	-	-
Municipal Replacement Grant	-	-	-	5 204 000	-	4 883 516	320 484	-
Emergency Funding N.D.M.C	12 299 833	-	12 299 833	329 200	-	-	12 299 833	329 200
Sport and Recreation Facilities	200 000	-	200 000	-	-	218 000	200 000	-
Thusong Grant	-	-	-	218 000	-	745 193	-	-
LGSETA	550 005	-	550 005	218 997	-	48 180	-	23 809
Working Inter Learning Grant	-	-	-	43 200	-	-	-	(4 980)
<b>Total Provincial Government Grants</b>	<b>21 859 992</b>	<b>-</b>	<b>21 859 992</b>	<b>74 554 854</b>	<b>15 350 000</b>	<b>55 190 484</b>	<b>31 934 434</b>	<b>(6 060 072)</b>

APPENDIX D - Unaudited  
BITOU LOCAL MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2013	Correction of error	Balance 1 JULY 2013	Grants Received	Grant Refunded	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2014
<u>District Municipality Grants</u>								
Internal Audit	-	-	-	-	-	-	-	-
<b>Total District Municipality Grants</b>								
<b>TOTAL</b>	21 579 992	-	21 579 992	122 587 376	15 350 000	86 994 484	47 882 956	(6 060 072)
<u>Public Grants</u>								
Social Responsibility	245 673		245 673	-				245 673
LED Strategy (IDC)	-		-	-				-
Upgrade Kwano Sport field	2 858 120		2 858 120	-		2 184 735		673 385
Allen Vegetation (Std Bank)	-		-	-				-
Beaches	-		-	-				-
<b>Total Other Grant Providers</b>	3 103 793	-	3 103 793	-		2 184 735	-	919 058
<b>Total</b>	24 683 785	-	24 683 785	122 587 376	15 350 000	89 179 219	47 882 956	(5 141 014)